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Competition strategy: the case of Major League Soccer The 'American Way or the European Highway'

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Competition Strategy:
The Case of Major League Soccer
The 'American Way or the European
Highway'

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A thesis submitted in partial fulfilment of the
University's requirement for the degree of MScR
Applied Management & Strategy

Coventry University

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The candidate confirms that the work submitted is his
own and that appropriate credit has been given
where reference has been made to the work of others.

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Abstract

There has recently been a noticeable increase in the number of articles and blogs surrounding the case of Major League Soccer. This rise is down to the enhanced interest in football throughout the U.S and their national league, the MLS. Despite the evident growth the league has witnessed since its introduction in 1996, the governance structure of the league continues to be deliberated. This study has been designed to evaluate the differences in sporting competition design, between football in the United States and European football. To aid this evaluation, MLS and the EPL will be employed as case studies for comparative analysis. The focus of this research investigation is to highlight how the MLS can become more competitive on the international stage. The league has received varied views regarding the future of the MLS, with certain stakeholders believing that MLS should look to conform with its European counterparts, whereas other personnel hold the view that the league should maintain its already established, conventional North American model.

Consequently, this thesis examines the differences in competition design between the EPL and MLS, in which the findings will be paralleled alongside the MLS' current design to initiate potential alternatives. To aid the analyses of each competition's structure, in-depth semi-structured interview have been conducted with multiple stakeholders within the football industry. These interviews were recorded, transcribed and analysed, searching for the emergence of key themes and responses to how MLS can flourish in the future. Analysis of data indicates that there continues to be a divide amongst stakeholders surrounding the competition design of the MLS. Based on these findings, the considerations have been conceptualised, allowing the researcher to make recommendations as to how MLS can be considered a major player in the football industry.

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Abbreviations

- AFL** – Australian Football League
- AFLPA** – Australian Football League Players’ Association
- ASC** – Australian Sports Committee
- CBA** – Collective Bargaining Agreements
- ECJ** – European Court of Justice
- EPL** – English Premier League
- EU** – European Union
- FA** – Football Association
- FAPL** – Football Association Premier League
- FFP** – Financial Fair Play
- FIFA** - Fédération Internationale de Football Association
- GSO** – Global Sport Organisations
- MLB** – Major League Baseball
- MLS** – Major League Soccer
- NASL** - North American Soccer League
- NBA** – National Basketball Association
- NCAA** – National Collegiate Athletic Association
- NHL** – National Hockey League
- NFL** – National Football League
- PBA** – Professional Basketball Agreement
- UEFA** – Union of European Football Associations
- USL**- United Soccer League

1. Introduction

1.1 Chapter Overview

This research project explores the implications of MLS transforming their governance structure, aligning more closely with that of European football. The purpose of this chapter is to investigate the contextual background of this study, as well as specifying why this research has importance for football in the United States of America and the wider football industry moving forward. The introduction section will begin by justifying the rationale for this research, then introducing both North American and European Sports Leagues, followed by a more in depth focus on the MLS and the EPL. The elected methodological concepts are accompanied by detailed aims and objectives within this chapter to demonstrate the researcher's goals and how the related data will be collected.

1.2 Introduction to Study

This research investigation will seek to answer the focal research question: **'Should Major League Soccer Adopt A More European Style Model of Governance In Order To Be More Competitive On The International Stage?'** After examining extant literature, this study assesses the importance of governance and competition design in the football industry, with a focus on MLS and the evident differences in competition design between it and European sports leagues. The concepts of both MLS and EPL league's structures are critically analysed and then applied to the MLS as a case, attempting to create a competition design that will allow the league to become competitive on the international stage. The researcher has decided to place a larger emphasis on the adoption of the college draft system throughout the data collection process, thus offering further proposals in the latter part of this

study. College drafts are highly regarded in the U.S as it is the transformation from the amateur game into professional sport. For MLS, the draft encourages home-grown talent, something which is becoming an escalating issue in European football. Therefore, it will be stimulating to examine how the draft affects competition in MLS compared to the EPL specifically.

In evaluating the opinions of key stakeholders directly related to MLS, this research will analyse the responses of these personnel in relation to potential modifications to the governance of MLS. The MLS is a hot topic within the football industry, as shown by the significant increase in academic literature; (Fort, R. 2000; Szymanski, S. & Valletti, T. 2005; Kesenne, S. 2006) the league has seen incredible growth over the last twenty years, from just having ten teams and three owners, Morrell (2013) emphasises how there are now 19 teams, with the addition of further franchises on the horizon. Additionally, *“average attendance has surged to 18,600, a more than 35% increase from the 2000 nadir of just over 13,700”* (Morrell, 2013). Despite the evident growth MLS has witnessed, many academics and sports professionals believe that the league’s current governance structure is not a viable proposition if the league wants to challenge the powerhouses in Europe. Rosen & Sanderson (2001) provide the following argument that is of fundamental importance to this investigation, regarding these major differences in competition design.

“All schemes used in the United States punish excellence in one way or another. The European football approach punishes failure by promoting excellent minor league teams to the majors and demoting (relegating) poor performing major league teams back down to the minors. The revenue loss from a potential demotion to a lower class of play is severe punishment for low quality-severe enough that salary treaties, league sharing arrangements, and unified player drafts are so far thought to be unnecessary, even though star salaries are enormous. It is an interesting

economic question as to which system achieves better results” (Rosen & Sanderson, 2001:66)

1.2.1 North American vs. European Sports Leagues

Many academics have investigated the structure and performance of these particular sporting competitions (Fort, 2000; Zimbalist, 2002; Andreff, 2011), which has resulted in multitudes of opinions around which framework is superior. Szymanski & Valletti (2005) describe how U.S major leagues are well renowned for being perfect examples of business cartels, as profitability is the primary aim over on the field success. European sporting contests are recognised for being quite the opposite. European teams typically focus on results on the pitch, rather than off the pitch activities. Gardiner et al (2012) explain the differences between win and profit maximisation, in which they describe the European model as solely focusing on sporting success, whereas American team sports focus on the generation of profit. The European strategy has had its downfalls, as seen by several teams in England falling into administration, something that has since received extra attention from European footballs’ governing body UEFA, in the way of FFP.

It is evident that there are various differences between U.S and European leagues. Thus far, previous papers have concentrated on the impact of implementing an open league design within Major League sports (Noll, 2002) and (Ross & Szymanski, 2002). Other academic papers have highlighted the comparative economics within these sports leagues (Andreff, 2011) and (Buzzachi et al, 2003). Despite this research, there is a paucity of academic research between these institutional differences being applied to MLS. The MLS currently does not have the same established reputation as other Major League sports, which is perhaps an

explanation as to why research into U.S football is not as prevalent. Unlike other Major League sports, football is a global game, hence why the comparison between the MLS and the EPL is logical.

	North American Model	European Model
League Design	Closed: Single League Competition / No Promotion & Relegation / League's Executives Grant Permission for Entry.	Open: Promotion & Relegation / Teams Also Compete in Other European Competitions.
League Functions	TV Rights Negotiated Collectively / Implementation of Centralised Marketing	TV Rights Negotiated Collectively
Player Market	University College Draft / Collective Bargaining Agreements / Salary Cap Restrictions	Transfer Market: Off-Season (July-September) / Winter Window (January-February)
Player Development	University College Programmes / Academy Setup (MLS)	Academy Setup
Pro-Competition Measures	Revenue Sharing (Television Income / Gate Receipts / Merchandise) / College Draft \ Salary Cap / Playoffs	Revenue Sharing (Television Income)

Figure 1: The Difference in Competition Design Between U.S & European Sports Leagues

The differences are theoretically described as being either open (European) or closed (North American). The conventional North American model represents a fixed number of members that can be altered through a planned league expansion programme

currently seen in the NHL, whereby permission to enter the league is decided by its executives. An open league structure is extant in European football, in which a process of promotion and relegation is operated.

This research intends to critically analyse the noteworthy differences in competition design, in which the findings will then be applied to the MLS in order to determine the best design for the league to develop further. Football experts have mixed views on the MLS adopting conventional North American measures in a global game, but by examining the opinions of key stakeholders operating within the U.S football industry, this research will seek to provide a number of recommendations applicable for MLS' future development in order to determine how MLS can be determined as a 'super league'.

1.2.2 Major League Soccer: An Introduction

To most American sports fans, Major League sport for years has revolved around four sporting competitions (NFL, NBA, MLB, NHL), commonly known as the 'Big Four'. *"In 2014, 35 percent of fans call the NFL their favorite sport, followed by Major League Baseball (14 percent), college football (11 percent), auto racing (7 percent), the NBA (6 percent), the NHL (5 percent) and college basketball (3 percent)"* (Rovell, 2014). In comparison to the other 'Big Four' leagues, the MLS is still in a growth phase of development (although football does have a somewhat chequered history in the U.S sports market, with past creations of football leagues proving less than successful). The league was launched in 1996 (MLS, 2014) and currently includes 20 teams, but it has been well documented that the league will increase in the near future with the addition of franchises from; Miami, Orlando, Atlanta and another team from Los Angeles. The reputation of the league is

certainly in a growth period, with many well renowned players joining the league over the last few years.

In previous years the MLS has experienced financial battles, which resulted in a number of teams folding due to a lack of spectator interest. Despite this challenging beginning, MLS has since thrived, as shown by the continuation of new franchises and the overall profitability of the league. As mentioned previously, the league operates as a single entity, in which the teams owners are also involved in the league's hierarchical decision-making processes. Operating a closed league system makes the MLS unique in the global football industry, as it is one of a very small number of football leagues that implement this strategy.

The league's playing schedule runs from March to October, followed by a North American tradition of playoffs. Teams are divided into two conferences (East & West) depending on their geographical locations.

A major development in the MLS was the introduction of the Designated Player Development Programme in 2007. The league *"decided on the concept of "Designated Players" to allow controlled expansion above the salary cap to allow major signings to come to MLS even with our relatively low salary cap. MLS decided that each team would get two of the Designated Player slots where only a fixed portion of their salary would count against the cap;"* (Calvert, 2014). This ruling has allowed the likes of David Beckham, Thierry Henry and Jermain Defoe to play in the MLS, and franchises to be able to spend more money than their low reward salary caps, something which is having a positive effect on spectator numbers and merchandise figures.

"In 2011, average MLS attendance hit 17,872 to surpass both the NBA and NHL, and it has since increased to 18,611 fans per game. More impressively, the average franchise is now worth \$103 million,

up more than 175% over the last five years;” (Smith, 2013).

Although the MLS is a relatively new venture, it is obvious to see that football is making an impression in the United States and within the football industry, *“MLS has experienced enormous growth in its second decade, doubling the number of teams to 20, expanding to six states and three Canadian provinces and moving into 11 new soccer-specific stadiums. Last season, average attendance topped 19,000 for the first time” (Baxter, 2015).*

1.2.3 The English Premier League

As already highlighted, there are many distinct differences between an American sporting structure and the models adopted by European Sport. As this particular research focuses upon MLS as a league within the sporting industry, it is important to look at the comparisons in European Leagues, as these leagues have been around for many more years and have established identities. *“The 23rd edition of the Annual Review of Football Finance shows that the total European football market grew to a record £17.1 billion (\$28.65 billion) in 2012-13;” (Masters, 2014).* A major part of the European football market’s success is the EPL, therefore the EPL will be used as a case study as a benchmark for recommendations and conclusions that will be presented later in this report.

The EPL consists of 20 clubs, which operates a relationship with the Football League, to activate the strategy of promotion and relegation. The 20 member clubs of the EPL act as rolling shareholders. Once a team is relegated from the league, they pass over their share to a newly promoted side. The league is the most watched in the world *“the TV audience for Premier League games is 4.7bn, and the number of homes reached last season increased 11 per cent to 643m. In total, the League clocked up 185,000 hours of TV coverage in 2010/11, an increase of 65 per cent on the previous*

campaign” (Premier League, 2012), a major contribution to this achievement is the high level of competition the league offers. The global interest in the EPL has seen broadcasting rights skyrocket and commercial business flourish, making the league the most financially superior worldwide. Gibson (2015) summarises how broadcasters Sky and BT will pay on average £10m per match, a significant increase of 70%.

The EPL is highly regarded as the best footballing league in the world, as highlighted by the statistics published by (Premier League, 2015) above. This popularity is predominantly due to the high level of competition within the league and the passionate nature of supporters. With regards to the financial power of the Premier League; *“England has six clubs in the top 20 (Richest football clubs). This is likely to increase next year with the latest lucrative Premier League television contract”* (Deloitte, 2014). It is Real Madrid however, who are statistically the most powerful football club in the world, as Deloitte (2014) state how this is Real Madrid’s ninth consecutive year at the top of the money league. is Real Madrid’s ninth consecutive year at the top of the money league.

An example of the financial power of the Premier League is the expenditure of English clubs during the 2015 Summer Transfer Window; *“player transfer spending by Premier League clubs in the summer 2015 transfer window reached a new record, according to analysis by the business advisory firm Deloitte. Gross spending totalled £870m, 4% up on the previous record of £835m set last summer”* (Deloitte, 2015). These figures suggest that the financial power and popularity of the Premier League may very well continue in the future, due to increased commercial activities. The league has a worldwide reputation, which can attract the world’s biggest names, and maybe a suggestion as to why revenue streams continue to rise as a result of merchandising. *“In a summer*

where the world's best players were on show at the World Cup we have again seen how Premier League clubs are able to successfully compete on a global stage in terms of attracting talent;" (Jones as quoted by Wilson, 2014). The MLS is inferior to the EPL regarding football activity, therefore employing the EPL as a case study is a suitable way of analysing the MLS' position within the industry.

1.3 Rationale For Study

Various academics have conducted numerous amounts of research around Major League sports (Buzzachi et al, 2003; Pivovarnik et al, 2008; Taylor, 2011) relative to the diversity of competition structure, in comparison to European sport. The main concept academics have focused upon previously is the topic of competitive balance (Rothenberg, 1956; Kesenne, 2006; Borooah & Mangan 2012), however, there is a shortage of literature into analysing the competition and governance structure adopted by MLS specifically, and the effects a European model could have on the competitive nature of the league.

Furthermore, despite football being a global game, MLS continues to implement a North American model of competition, which focuses heavily on competitive balance and profit maximisation. MLS is the only football league that embraces the franchise philosophy which asks the question whether the success of a MLS franchise is determined by on-field success or the amount of profit on the balance sheet. MLS commissioner Don Garber was quoted stating that; *"We've got to be in a situation where our clubs are making money and not losing money, so that we can continue to invest in this business"* (Garber via Szymanski, 2015).

Despite this quote by Commissioner Garber, Mark Abbott the Deputy Commissioner explained; *"On a combined basis, MLS and its clubs continue to lose in excess of \$100 million per year"* (Abbott via Szymanski, 2015). This statistic in itself poses the rationale for this study. The North

American concept looks to increase spectator entertainment through equality of competition, whilst allowing franchises to generate profit. Evidently, this is not occurring within the MLS, as shown by the quote above; therefore should MLS adopt a more European style model of governance in order to be more competitive on the international stage? Would replacing aspects of the North American philosophy by imitating European football gives MLS the best opportunity to become more reputable, increase the chance of formulating profit and continue to meet the needs of spectators through entertainment and increased levels of competition?

The focus of this study provides an opportunity to make a strong contribution within the sport management field exploring the academic theory surrounding football by highlighting a number of actions that MLS can adopt to increase the overall quality of the league. Primarily, by analysing the responses of industry professionals to MLS' configuration, theoretical views surrounding the league's mechanisms are developed and contextualised in determining positive or negative outcomes.

1.4 Research Aims & Objectives

In order to answer the central research question: **Should Major League Soccer Adopt A More European Style Model of Governance In Order To Be More Competitive On The International Stage?** – and the evident deficiency of academic literature relating to Major League Soccer, it is imperative to have a set of clear aims and objectives to successfully answer the official research question.

The aims of this investigation are:

- To conceptualise competition design in football and identify key aspects of what makes a league successful

- To evaluate the opinions of key stakeholders as to the impact of either implementing an Americanised or Europeanised model of governance, through conducting semi-structured interviews
- To analyse whether implementing a Europeanised model of governance would potentially impact the profile of MLS

Further more, based on these aims, the objectives of this research are:

- To develop an operational template of what an 'Ultimate Sporting League' should incorporate
- To critically analyse aspects of competitive balance, thus contextualising these key concepts and providing a clear understanding of their importance in sporting competition
- To interview industry professionals on their opinions of mechanisms incorporated into MLS' competition
- To evaluate the opinions of key stakeholders as to the impact of either implementing an Americanised or Europeanised model of governance, through conducting semi-structured interviews
- To examine in more detail the importance of the draft system in Major League sports, in comparison with academy setups
- To assess which method of competition design is most suitable for MLS's future operations
- To envisage how MLS can improve in the future
- To explore extant literature surround player trading in in both open and closed sporting leagues

1.5 Overview of Research Design

This study adopts an exploratory, qualitative approach to research methodology, illustrating the major precepts of the grounded theory approach (Glaser & Strauss, 1967; Clamp & Gough, 1999; Paterson, 2013). Due to the scarcity of specific academic literature into MLS, an approach focusing upon the generation and discovery of theory will provide

considerations for the league and its stakeholders moving forward. The methods applied in this study include single-embedded case studies and semi-structured interviews, which will provide a thorough analysis of MLS and the mechanisms they adopt for their competition design. The methodology chapter of this thesis (Chapter 3) also analyses different sampling techniques, as well as indicating the research approach, to ensure the research is clear in its design.

1.6 Structure of Thesis

Evolving from the evaluation of the theoretical background of this research, the chapters of this project review and analyse; previous theoretical literature; the methodological considerations for the investigation; and finally the analyses of the study's findings, accompanied by final conclusions.

This thesis is structured as follows;

- **Chapter Two:** critically reviews literature in the areas of; Governance In Sport, Governance in Football, Competitive Balance and Competition Design, assessing concepts of MLS and European Football to give a wider understanding of the leagues and its notions
- **Chapter Three:** outlines the chosen methods of research design for the study, including methods of data collection and strategies to ensure as much rich data as is possible, given the constraints of this research
- **Chapter Four:** presents the findings of this research and the implications of these findings are discussed
- **Chapter Five:** presents the conclusions and recommendations drawn from this study

1.7 Conclusion

The relatively unique focus of this study has not seen the academic focus the area warrants to date, instead many blogs and expert opinions have

been altered around the subject area. Despite the continued growth in football literature, in particular the focus on business and financial activities associated with football in England, MLS and their continued development has perhaps not received as much academic consideration, as it remains to be associated as a more inferior league within the football industry. By concentrating on the aspects of competition design and governance in football, this study aims to make a significant contribution to management practice, as well as academic theory, by evaluating the responses of key stakeholders to whether an Americanised or Europeanised model of governance is best suited for MLS' future success.

Overall this chapter has been created to introduce the rationale and context for the motivation of this investigation. The following chapter highlights the theoretical and academic principles of which this study is based upon. Academic literature into governance, competitive balance and competition design in particular are evaluated in the following chapter.

2. Theoretical Background

2.1 Chapter Overview

Chapter One of this thesis has identified the research area, with contextual background and justification for the research has been provided. The purpose of Chapter Two is to develop a theoretical structure based on a critical review and synthesis of literature created around the concepts of American sport and more specifically, football. This particular review of literature focuses on;

- Competitive Balance
- Governance In Sport
- Governance in Football
- Competition Design

2.2 Competitive Balance

Smith & Stewart (2010) state that sport can often be complicated by the existence of both the commercial and not-for-profit forms, however despite its growing commercialisation it ostensibly possesses many special features. One of these special features is the need to be competitively balanced.

“The importance attached to competitive balance is predicated on the belief that it is uncertainty about the outcomes of sporting contests that attracts spectators and sponsors.”

(Borooah & Mangan, 2012:1093)

The concept of competitive balance in sport first became apparent within North American Leagues, and has been a major factor of the success of American Sports since the 1930s. First, it is imperative to gain an accurate understanding of the definition of competitive balance through the work

of academic experts. Many academics have discussed the theory of competitive balance, *"according to the uncertainty of outcome hypothesis, competitive balance has a positive impact on fan interest"* (Rottenberg, 1956 in Pivovarnik et al 2008:76). Pivovarnik et al (2008) continue to discuss how competitive balance implies equal competition, emphasising uncertainty of the outcome and producing drama. Manasis et al (2014), the researchers employ a similar definition of competitive balance to Pivovarnik et al (2008) by stating that the notion is, *"reflected by the uncertainty of outcome in sporting events,"* (Michie & Oughton 2004 via Manasis et al 2013:363). The three academic parties used to explore the definition of competitive balance all seem to be in common agreement that the theory of competitive balance is all related to the uncertainty of outcome in sport, and additionally makes the viewing much more thrilling for spectators.

Rottenberg (1956) highlights how the absence of particular labour policies would allow the larger teams to obtain the most capable players, making the competition too predictable. It is well known that American Sports have introduced new concepts and regulations such as salary caps, revenue sharing and draft systems to combat predictability. Borooah & Mangan (2012:1093) state that *"in a perfectly balanced competition, each team would have an equal chance of winning each match and, therefore, of winning the championship or the league."* The NFL is a great example of this quote above by Borooah & Mangan (2012) as 14 teams have won the SuperBowl since 1992. On the contrary, only five teams have won the EPL in the same time frame, suggesting that the level of competitive balance in English Football is extremely low. Additionally, it is important to state that there are major differences between North American and European sports leagues. Kesenne (2006:39) suggest that *"the US leagues are closed monopoly leagues with no possibility of relegation or promotion and with a more-or-less constant supply of talent at any given moment"*. Kesenne (2006) also explains how North American sports do not organise International Championships for the winners of their national leagues,

unlike the Champions League or the UEFA Cup in European football. Furthermore, Europe does not have any kind of draft system in place.

Despite the English Premier League being categorised as an 'open' sporting league, whereby teams can be promoted and relegated, with competitive balance characterised as being low, the league is still the most watched around the world. Pudasaini (2014) states how the EPL was the third highest attended sports league with 35,931 per game, sitting behind the Bundesliga (42,421) and the NFL (68,397). The high attendances within the EPL could be described as being somewhat bizarre, as the league is much less competitive balanced than others around the world. It is no surprise to see the NFL occupy the top spot regarding highest league average attendances, as the league presents the biggest stadia, as well as higher levels of competitive balance; *"together with the draft and salary cap, revenue sharing has kept the NFL as truly a sport that can be won on "any given Sunday." Any team can beat any other team, and most teams have a shot to make it to the playoffs if they make the right offseason moves"* (Schottey, 2013). The EPL can also be labelled as a 'free market' whereby, *"teams with greater financial resources (e.g., due to location in larger population centres, more lucrative sponsorship deals or larger shares of television broadcasting rights) can hire better players, improve team performance and increase their dominance"* (Owen & King, 2013:1). The idea of free market is a complete contrast to what Rottenberg (1956) explained when discussing baseball, as American sports believe the concepts included in English football's free market are classed as imbalanced, purely because the financially superior teams have no restrictions to prevent them signing players. Owen & King (2013) discuss that the characteristics of the football market in England undermines competitive balance and hence certainty of outcome which, in turn, can threaten the sustainability of the league due to the excessive predictability of outcomes. The characteristics considered by Owen & King (2013) regarding the predictable nature of the European transfer market, remains an issue for the sport, therefore until any significant

changes are made by football's governing bodies, there will be a vacancy of competitive balance in European football for the foreseeable future, as the current guidelines regarding the transfer of players continues to favour the teams with more financial power. On the contrary, governing bodies operating in North American sports have identified these matters, and by incorporating regulations such as salary caps, revenue sharing and the college draft as part of bargaining agreements, have been able to control these imbalances.

2.2.1 Aspects of Competitive Balance

The theory of competitive balance has been vital to the importance and success of North American Sports for decades. The most popular aspects of competitive balance to be integrated by American Sport hierarchies are, salary caps, revenue sharing and drafts. (Masterson & Coby Jr., 2013:36) state that *"one of the tools the NFL has used to promote parity between the franchises is the salary cap. Their Collective Bargaining Agreement introduced this cap in 1994 with the intention of destroying the "dynasty teams" and to spread the league talent around more frequently"*. The thinking of the NFL was to ensure that all teams have the same amount of money to spend, therefore have the same opportunity to sign the same players. Perritano (2014:1) states that *"the salary cap only applies to players, not coaches, trainers or other personnel. Each season all teams combined must spend on average 95 percent of the cap or more on salaries,"* However, the value of the salary cap continues to grow year on year due to the increase in broadcasting rights and commercialisation in the sport, meaning that more capital is available for NFL clubs to spend on player contracts. Breer (2014) explains how the NFL have set this year's salary cap at an all time high of \$133million for each team, and each team is legally obliged to stay below this number. This is a

complete contrast to what is occurring within the Premier League regarding team expenditure.

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Figure 2: The Top 10 Wage Bills in The English Premier League
(Arshad, 2013)

Whilst the NFL's salary cap offers significant control on player salaries, the table (figure 3) created by Arshad (2013) is verification of the complete imbalance in player wages in English Football. The opportunity for the likes of Aston Villa and Everton to compete with Manchester City for player signings is imbalanced

because they cannot afford to pay 'top dollar' for their services. The difference in wage bills, between the likes of Chelsea and Newcastle is astonishing, and even though the inclusion of FFP to some extent is to control football finances, FIFA as a governing body are still struggling to control the financial power of the modern day football club.

The draft system adopted in North American sports has already been touched upon within this thesis, however it is important to further investigate this mechanism due to its impact on competitive balance. Bradbury (2010:1) states that *"the amateur draft gives every team in the league rights to valuable player-assets that teams can use to build winners. This mechanism is far more effective at promoting competitive balance and it lacks the disincentives of revenue sharing. Only teams who draft wisely and properly develop their players are rewarded"*. On the other hand, Gordon (2013) believes that in actual fact that the college draft is not a pivotal mechanism to encourage competitive balance, but instead suggests that even though drafts relocate talent, teams always have the choice to sell that player for other prospects such as draft picks and opposition players. We have seen a number of success stories with regards to the draft, particularly in the NFL. It is also a concept that promotes great media attention and an excitement amongst Major League fans, a reason why this mechanism continues to be incorporated in CBA's in North American sport.

The third idea of combatting competitive imbalance that is important to understand is revenue sharing. Revenue sharing is as it sounds, clubs within leagues such as the NFL, NHL and MLB split the revenues they generate each year. Palomino & Rigotti (2002) state that revenue sharing is a controversial topic within many professional sports leagues, and its importance due to the large payments teams receive from TV broadcasters. Revenue sharing is

an efficient concept to counteract competitive balance, a great example of revenue sharing is apparent in MLB. Forbes (2014) states that the New York Yankees revenue generated for 2013 was \$461million, whereas the Tampa Bay Rays was considerably less with \$181million. Obviously this would give Tampa Bay a massive disadvantage if it wasn't for the inclusion of revenue sharing. *"Under the current CBA, 34 percent of net local revenue is retained, placing whatever is left into a fund distributed to the smaller-market teams,"* (Bloom, 2014). The idea of revenue sharing gives much smaller teams the opportunity to at least compete, unlike in football whereby the less financially superior teams will more than likely be involved in a relegation dog fight.

Football is governed in a number of ways, in a pursuit of encouraging competitive balance and uncertainty of outcome. The following section will evaluate the structures of the football leagues in question, and show some of the mechanisms incorporated in their governance structures to combat competitive imbalance.

2.3 Governance In Sport

Governance is an extremely well known aspect within the business industry; additionally it is a particularly important concept in the sporting world, Hoye & Cuskelly (2012) state that as sport continues to grow, changes to the management of sport organisations are necessary. As the art of governance is an imperative topic within this thesis, due to the organisational structures of the relevant sporting leagues, it is important to have a clear and concise definition of governance. Rosenau (1995, in Ferkins & Shilbury, 2015:93) suggests that *"governance is the process in which a single organization, or a network of organizations, steers itself, allocates resources, and exercises co-ordination and control"*. Kempa et al (2005) on the other hand, suggest governance may be defined as efforts

organised to manage on-goings within a social system. Furthermore, Kempa et al's (2005) definitions do concur with that of Rosenau (1995) by expressing that the major attribute of governance is efficient organisation and control.

It is essential to investigate extant literature in this field to offer a wider understanding to governance and structures in sport, particularly given the nature of this study.

Henry (2007) adopts the opinion of Henry & Lee (2004) who discuss how perhaps there are three particular concepts of governance; systemic, corporate and political. Beech & Chadwick (2004) coincide with the opinions of Henry & Lee (2004) that there are three interrelated approaches to governance, being that of systemic, corporate and political. As this study analyses the structures and competition governance of MLS and the EPL, the three concepts put forward by these particular academics are going to be valued in the evaluation process. Henry (2007) suggests that systemic governance concerns the way sport is governed through the interaction between governing bodies and other major stakeholders, but believes the concern with adopting systemic governance is the difficulty understanding the stakeholders and their process of interaction. Beech & Chadwick (2004) on the other hand define systemic governance as a movement away from the government, which has been affected by the reflection of globalising trends of sport.

Corporate governance is also renowned as 'good governance'. Beech & Chadwick (2004) explain how the notion of corporate governance is said to be based upon seven key principles; transparency, accountability, democracy, responsibility, equity, effectiveness and efficiency. Beech & Chadwick (2004) also believe that for corporate governance to be successful, a large emphasis on fair treatment of stakeholders is an imperative part of this notion. Henry (2007:8) offers a slightly different description of corporate governance by suggesting that, *"this relates to a concern with the ethics of management and policy"*. Moreover Denis &

McConnell via (Farquhar et al 2005:330) define corporate governance as, *“the set of mechanisms both institutional and market-based that induce the self-interested controllers of a company to make decisions that maximise the value of the company to its owners”*.

The final concept of governance is political, *“political governance relates to the achievement of goals through strategies such as regulation and inducement rather than through the direct action and control,”* (Beech & Chadwick, 2004:34). Henry (2007) emphasises more on the focus of governments, and how they seek to achieve their objectives. Beech & Chadwick (2004) also highlight an example of political governance between the European Union (EU) and football’s leading governing body FIFA, regarding the Bosman ruling and football transfer system. The EU was required to intervene by quoting that, *“thus restraint on out-of-contract players, or national quotas on European players in national leagues, were deemed to be illegal”* (Beech & Chadwick, 2004:34).

As the sport industry has grown and flourished, governance in sport has become more of a focus for academic research and continues to be an area of interest in academic and management practice.

2.3.1 Defining Sport Governance

Sport governance has been defined as; *“networks of sport-related state agencies, sports non-governmental organisations and processes that operate jointly and independently under specific legislation, policies and private regulations to promote ethical, democratic, efficient and accountable sports activities”* (Chaker, 2004:5). Ferkins et al (2009) suggest that sport governance is the responsibility for functioning a general direction for the organisation and is a major component of all sport codes from club level to professional teams around the world. Both academics discuss the wider approach to sport by the creation of policies for all levels of competition. Hoye & Cuskelly (2012) explain how

there is no universally agreed definition specifically for sport governance, but use the definition proposed by the Australian Sports Commission (ASC) who define it as *“the structures and processes used by an organization to develop its strategic goals and direction, monitor its performance against these goals and ensure that its board acts in the best interests of the members”* (ASC via Hoye & Cuskelly, 20012:9).

2.4 Governance Structure of North American Sports Leagues

As previously highlighted in Chapter One, there are a number of distinct differences between the governance of the sports leagues in questions. *“In U.S. major leagues, all strategic questions of league-wide relevance are decided by majority voting. The only associates entitled to vote are the participating club owners;”* (Dietl et al, 2011:5). Dietl et al (2011) also discuss how European team sports in contrast, are historically run by national and international associations, which is the complete opposite to the governance structure in U.S. sports leagues. Moreover Andreff (2011:6) maintain that; *“a North American professional team sports league is an independent organization which is closed by an entry barrier created by franchise sales, entry in a closed league is only possible by the purchase of an expansion franchise.”* Altstadt (2015) suggests that leagues should allow for independent ownership, rather than independent organisational decisions, thus allowing owners to invest in. Dietl et al (2007:2) state how North American professional sports leagues adopt a cooperative form of governance, which has now been adopted by other sporting leagues around the world. *“In a cooperative setting, club-owners retain their independence on the level of individual team-production and are able to act discretionarily given league restrictions”*. U.S. sports leagues are also related to corporate governance as their league structures are based around the policy of ethics and equality of sport, which it could be argued is a reason why the organisations operating in North America adopt strategies that encourage parity.

Fort (2000) explains how there is no real similarity between North American leagues and FIFA, football's world governing body, since there is no international championships in relation to North American sports such as American Football. One major similarity is the adoption of bargaining agreements (discussed in section 2.4.1) in major North American sports. Fort (2000:435) employs his knowledge of Major League Baseball by clarifying that *"the Professional Baseball Agreement (PBA) governs the complete relationship between all levels of baseball, from the lowest 'rookie leagues' all the way up to MLB"*. The use of bargaining agreements aids the settlement of disputes, unlike European football where the majority of debates will be dealt with by national associations. In addition to the views of Fort (2000), Noll (2003:7) highlights the structure of North American sports, *"in the United States, universities function as an important substitute for lower minor leagues, so that the hierarchy of professional teams is shallower than in European football"*. The NCAA is responsible for the organisation and control of university and amateur sport, before student-athletes make the move to the professional scene. As the focus of this research is surrounding MLS, it is pivotal to evaluate and explore previous literature into the league, which can be used for comparative analysis later in this investigation.

2.4.1 Sport Franchise Ownership

Research into sport franchise ownership has presented a number of interesting discussions, particularly around the correlation between team performance and profit maximisation. Quirk & Fort (1999) suggest that profitability is the major motivator for franchise ownership. Harvey et al (2001:436) state that *"sport franchises are no longer marginal assets, nor are they assets that stand in isolation to the industries that surround them"*. A major reason as to why literature surrounding franchises in sport has been integrated into this research, is due to the continued increase in foreign ownership, particularly in English football. Cornwell

(2011) suggest that franchises in North America exist to please fans and provide a level of entertainment, but above everything the primary aim is to make money. Therefore, franchises in North America could be described as being a business more than anything else. This is stark contrast to the European model of sport, in which on the field success outweighs off field activities. Bill Shankly famously stated that *"football is not a matter of life and death, it's far more important than that"*.

Evidence proving how profit maximisation is high on the agenda of American franchises is for all to see in the USA by the number of franchises that have relocated to different markets. Cornwell (2011:1) uses the Atlanta Thrashers (NHL franchise) as a prime example of relocation; *" the Thrashers left for Winnipeg, to be reincarnated as the Jets. Winnipeg got its hockey team back; in part thanks to fan demand, to be sure, but also because the rise of the Canadian dollar against its US counterpart has made the city a much more appealing market than a few years back"*. Activities such as relocation are pretty much non-existent in European football, due to the established fan bases and relationship with that particular location. Baade & Dye (1990) both argue that the only way to evaluate franchises is to compare the economies of the cities or regions they are operating within. There is an obvious correlation between the relocation of franchises and the economic opportunity within the new market. This is a current topic in the NFL, as three teams (Chargers, Raiders, Rams) are seeking to relocate to Los Angeles (see more in 2.6), as their stadium economics are poor, meaning their ability to compete is hindered.

2.4.2 Structure of Major League Soccer

The MLS is an interesting example in comparison to other major sporting leagues in North America. The MLS is a lot younger,

therefore has had the assistance of other leagues to develop a model for their competition. *"In many ways, the MLS has developed comparably to the NFL, NBA, MLB, and NHL. These similarities include implementing a playoff system, membership of teams, and scheduling;"* (Taylor, 2011:2). At this present time there are 20 teams competing in the league, FIFA on the other hand are football's leading governing body have a set limit of 20 for the amount of clubs present in a league. Taylor (2011) quotes MLS Commissioner Don Garber surrounding the structure of MLS. *"Our league includes two countries, massive landmass across four time zones, and I have no doubt our league will be larger than 20 teams when (we are) fully expanded;"* (Garber as quoted in Taylor, 2011:7). Taylor (2011) also discusses the role of the co-owner of Real Salt Lake, Dave Checketts who seeks to educate football fans that the NBA, NHL and NFL have perfectly defined models to host 30-32 teams, therefore offer a solid foundation for the potential expansion of the MLS in the future. Whether FIFA agree to this in the future is another matter.

North American sport leagues are built upon the notion of competitive balance, *"Competitive balance refers to the rational expectations of fans about who will be the winners. In a perfectly balanced contest, each participant starts with an equal chance of winning, so that the outcome will be completely uncertain"* (Szymanski, 2001:1). The thought process is to distribute playing talent as evenly as possible throughout the league, to prevent the more financially powerful teams from dominating; *"American professional team sports have employed wide array of regulations to safeguard against this danger. Reserve clauses limiting the free agency of the players, the reverse-order rookie draft and revenue sharing arrangements are well-known examples in this context;"* (Dietl et al, 2011:8).

Since the formation of the MLS, the season has run from March to November, which compared to European football is an obvious modification. Taylor (2011:9) explains how the MLS schedule avoids conflict with America's most powerful sport the NFL; *"The MLS had to choose between a traditional schedule and a conflict with the NFL, NBA, and NHL or a non-traditional schedule and competition with only the MLB"*, in response to the scheduling structure of the MLS, FIFA president Sepp Blatter quoted that, *"this is not the right solution for the MLS, they have to play and to adapt themselves to the international calendar. If they do that, they can have success,"* (Blatter, in Lewis, 2009).

"Such analysis has viewed American Sport to be a branch of the entertainment industry, with a profit-making imperative, and with elite sport detached from grassroots and amateur participation. This is in contrast with the European model, characterised as having a broader social and cultural element" (Holt, 2009:10).

2.5 Governance of European Football

Within European football, clubs are governed by national associations such as; the EPL being administrated by the F.A. Holt (2009) continues by clarifying that national associations are members of UEFA, who lead the organising of club and national team competitions, whereas FIFA regulate the game on a global level and arrange competitions with regards to national teams.

Geeraert et al (2013) discuss examples of poor governance in football with regards to GSOs UEFA and FIFA by listing issues such as; cases of corruption, bribery, gambling, money laundering and problems with player agents. *"Most recently, FIFA came under fire after some senior officials had been accused of taking bribes"* (Gibson, 2010 in Geeraert, 2013:114). Geeraert et al (2013) complement this quote from Gibson

(2010) by indicating evident failure of good governance within the sport, as well as suggesting that football is treated with economic and legal exceptions. *"By a failure in governance we mean some or all of the following: a failure of coordination between sporting and other relevant sporting bodies ; a failure of governments to regulate or control potentially harmful activities; and a failure to establish decision-making, or to control procedures, which are fairly, transparently and efficiently implemented"* (Beech & Chadwick, 2004:26). FIFA is currently under investigation for numerous counts of integrity, but in the past the economic power of FIFA has allowed it to bypass aspects of corporate governance. What is also important to state, is that due to the continued increase of TV money into the game of football, clubs are moving into a new phase of systemic governance.

Geeraert et al (2013) adopt the thoughts of Sugden (2002) whereby, in recent years football has become more commercialised, *"since the Premier League was created we've had commercial forces running riot across our game"* (Burnham via BBC Sport, 2010), with the integration of transnational business interests. As the increase of commercialisation has become so severe, it has created a complex between football and business interests. Geeraert et al (2013) highlight the emergence of governance network in European football, paying particular attention to how the political, economic and legal driving factors have affected the governance style of European football (*figure 3*).

Beech & Chadwick (2004) suggest that European football is an effective example of systemic governance. *"The notion of systemic governance underlines the nature of a key shift in the way that sport is organised and controlled- a shift that is away from the government, or direct control, of sport"* (Beech & Chadwick, 2004:27). Henry & Lee (2004) operate a very similar definition to systemic governance, by arguing that *"a profound shift has taken place in the way in which a sport is managed in the national and international context. This shift is encapsulated in the move from direct control or government of sport to a governance of sport approach"* (Henry

& Lee, 2004:38). Additionally Beech & Chadwick (2004) believe that this shift in structural governance is related to the globalising trends in sport.

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Figure 3: Driving Forces Behind The Emergence of Governance Work In European Football (Geeraert et al, 2013)

Football has transformed dramatically with regards to sponsorship deals, the emergence of the European Union's Bosman Ruling, as well as the added power of football clubs through the G14 (14 leading football clubs joined to provide a unified voice when negotiating with FIFA and UEFA) organisation. The Bosman ruling (see Appendix C) revolutionised player movement and the way contract negotiations are now handled, but this topic has not been discussed in depth as the focus of this study lies

elsewhere. The idea of creating G14 was to provide a combined voice of negotiations between European and global football governing bodies UEFA and FIFA. Before these issues became more influential within the sport, Beech & Chadwick (2004) describe how FIFA had the ultimate authority in world football. Therefore European football has witnessed a mass change in governance in the last 20 years, whereby football clubs in particular, have become more authoritative and powerful to organisations such as FIFA and UEFA.

2.5.1 Governance Structure in English Football

“The F.A is the governing body of football in England. It acts as the regulator and promoter of English football, both at the professional and amateur level, and represents English football on the international scale;” (Stock, 2013). Aforementioned by Holt (2009) in section 2.3, the primary characteristic of a national association is the organisation of the game from grassroots up to professional status. Morrow (in Gammelsæter & Senaux, 2011) maintain that the national association has the responsibility for the organisation of the game as a whole in its respective country, as well as having a direct responsibility for national cup competitions and their own national side. Morrow (2011) clarifies how the FA still operate with a board who represent different stakeholders within the game of football, however some may believe that the inclusion of boards in an organisation such as the FA can be described as dysfunctional. This is a stark contrast to organisations operating in North American sports, whereby teams each follow strict guidelines that have been agreed, within their specific bargaining agreements. The F.A can be described as a non-profit organisation, whereas North American organisations place more attention on profitability and sustainability of their franchises. To support this contention Morrow (2011) highlights that English clubs operating incorporated structures do not make and

have not made profits, even though there have been huge increases in revenues. Szymanski & Kuypers (1999 in Morrow, 2011:51) suggest that co-existence of on-field and off-field success do not go hand in hand, and evidence supports that *“to maximise on field performance clubs need to spend significant sums on player remuneration costs, yet this expenditure inevitably weakens the clubs reported financial performance,”*. Moreover it is the opinion of Morrow (2011) that financial instability within English Football is down to the absence of ‘good’ or corporate governance.

The FA has been central to some major changes within the structure of English football, especially with the inception of the Premier League in 1992. Morrow (2011) emphasises that the formation of the Premier League was driven by a desire by major clubs to move away from the concept of income sharing, as well as the increasing importance of broadcasting revenue. On the contrary, income or revenue sharing continues to be a fundamental aspect of U.S sport. *“Revenue sharing reduces the incentives for clubs to invest in playing talent because each club has to share some of the resulting marginal benefits of its talent investment with other clubs in the league”* (Dietl et al, 2010:3).

The creation of the FAPL, has led to the F.A having less control on the day-to-day operations of clubs, however the F.A is a special shareholder of this organisation when issues such as contractual arrangements arise. Chadwick & Hamil (2010) clarify how organisationally speaking, the FAPL is an independent governing body affiliated with the FA, which consists of 20 shareholders, who are the clubs that are participating in a given season and change depending on performance. Chadwick & Hamil (2010:188) argue that *“The FAPL operates a system of relegation and promotion with the Football League, and when a team is relegated from the FAPL, the club gives up its membership and vote to the promoted club”*. They continue by explaining that the UK government has no direct

say in the governance of the F.A, and it is the F.A board who conclude the decision making process.

2.6 Competition Design in Football

The basic design in competitive team sports is the contest between two teams, which will be organised within a particular sporting league. Barnard (2006:435) suggest that; *“the sporting league has responsibility for the design and management of the competition, where design is the institutions and rules that govern the process by which players and sporting clubs come together to compete as teams”*. Borland (2006) further discusses how an important example of competition design is in the comparison between the model structure of European leagues into divisions, applying promotion and relegation as an open entry between divisions, compared to *“the ‘North American’ model of organisation into a single closed league”* (436). The structure of a sporting league can be defined by being either ‘open or closed’. Open leagues adopt promotion and relegation, whereas *“in the United States major leagues are closed, having a fixed membership that can only be changed by formally voting to expand”* (Noll, 2003:15). Andreff (2011) also states that entry into a closed league is only achievable by purchasing a franchise, as well as gaining the approval by a league commissioner who will assess the profitability of the location and market.

Noll (2002) observes how an open league like the English Premier League for example, will tend to raise the performance level within a team as there is a greater motivation to gain promotion or reduce the chance of relegation. Sloane (2006:15) suggests that the concept of an open league, can increase fan interest as a high proportion of games over the duration of a season have significance, stating that; *“promotion and relegation may force a departure from the optimal distribution of teams across divisions as superior top division teams are replaced by lower inferior division teams in terms of gate drawing potential”*. Buzzachi et al (2003)

believe that the U.S concept of a closed league makes the competition much more balanced, which is down to the fact of competitive restrictions such as revenue sharing, drafts and salary caps.

Andreff (2011) also indicates how teams operating in a closed league have exclusivity over an urban area, where it is the only one, thus each team has a monopoly in the local market enhancing the chances for profitability. This exclusivity is league based not sport wide, for example New York has multiple sports teams who are from different leagues. Additionally, Andreff (2011) gives examples of 48 teams up until 2005 in North America who have relocated to other geographical locations. There is a contemporary example of geographical mobility, whereby St. Louis Ram's owner Stan Kroenke is considering relocating the NFL side to Los Angeles to utilise the site to construct an 80,000- seater stadium. *"There is neither territorial exclusivity nor local monopoly of a team in a given sport: in most European capitals, more than one team play in the first soccer division,"* (Andreff, 2011:7). One major design of North American sports is the usage of CBA's which are employed to aid the governance of the professional leagues.

2.6.1 Collective Bargaining Agreements (CBA)

"Collective bargaining agreements are written, legally enforceable contracts for a specific period of time between the management of an organization and its employees represented by an independent union" (Smith, 2012:1), Wachutka (2007) supports this by affirming that *"the respective players association negotiates on behalf of the players, with representatives of league management or league owners, to establish the terms and conditions of the players' employment"* (Wachutka, 2007:1). Parlow (2010) states that CBA are the 'supreme governing body' concerning employment within American professional sports leagues. The major sporting leagues in North America each have a tailored CBA, created by the

players' unions and team owners. It is the opinion of Dryer (2008) that collective bargaining has been a great addition to calculating the interests of teams, players and fans, whilst carrying sports forward to profitable ends. Although one of the main objectives of CBAs is to continue to combat competitive imbalance, Epps (2009) however, highlights a case in the NBA, whereby the collective bargaining agreement in place had weakened the competitive edge that the NBA had in place. Epps (2009) discusses how the 2008 free agency period exposed a major weakness in the CBA, whereby young up and coming American players can move abroad and earn substantial sums of money whilst waiting for the NBA draft. This in turn has the potential to increase the level of competition in Europe significantly. *"Euroleague teams will likely target more talented NBA free agents as the budgetary gap between Euroleague's top teams and their American counterparts narrows"* (Epps, 2009:378).

It is not only North American sports that adopt CBA's, the concept is very much present in the AFL *"The AFL and the AFLPA have used collective bargaining agreements (CBAs) from 1993 onwards following a threat by the AFLPA to seek an award in the then Australian Industrial Relations Commission"* (Smith & Moore, 2014:10). MacDonald (2012) suggests that the introduction of collective bargaining was a means of overcoming what would have been legal restraints to the movement of players.

2.6.2 Player Trading In Open and Closed Sporting Leagues

As the concept of player trading in MLS and EPL football is a focal point of this research, exploring extant literature in this field of academic study is imperative. Andreff (2011:7) suggests that a closed league, operated in North American sports *"can restrict players' mobility since it enjoys a monopsony power in the labour*

market for talent.” In order to allow for this player mobility, one of the mechanisms used in North American leagues is the recruitment system known as the draft. Every year the draft focuses on young players making the move from amateur status at college (or university) to the professional stage. As aforementioned, the draft is a concept of competitive balance to distribute players across all teams in a league to prevent dominance. Grier & Tollison (1993:293) suggest that even though the worst team may draft the best player available, *‘the player’s marginal product is higher in larger markets of the league, and the player will thus be traded or sold to teams in larger markets’*. Although the concept of the draft is trying to ensure that competitive balance is in place within closed leagues, the model has brought about adverse incentives. Tanking, a form of match fixing, has become a huge problem in all North American sports. For example Taylor & Trogdon (2002) discovered that teams who could not participate in the play-offs due to their league position saw how performances altered in correlation to draft picks and league position. This is where the issue of tanking has arose in the past, as teams have been found guilty of underperforming, allowing these teams to focus on having the best opportunity to make the best draft pick for the following campaign.

There are no such things as a ‘rookie’ draft in European football open leagues, Andreff (2011:8) explains how *“the Bosman deregulation of the labour market has triggered high player mobility”* (see Appendix C for full description on the Bosman Ruling). Andreff (2011) states how player mobility in North American leagues does not include cash for trading of players, as it is forbidden, whereas European open leagues transferring of players is usually completed by cash or monetary transactions. Dobson & Goddard (2001) concur with Andreff (2011) by

explaining how there is an evident contrast between North America and European football with regards to the trading of players for cash, as it is very much a fundamental aspect of football in Europe. The opinions of Andreff (2011) may offer an explanation as to why the financial stability of European football has come under severe scrutiny. Transfer fees, as well as wages continue to rise year on year which suggests that eventually European football needs to change to a similar model adopted in the United States, for a more sustainable future. Football has seen the introduction of FFP as a strategy to try and control the increase of expenditure by football clubs around Europe, but this policy has already seen clubs abuse this ruling through a number of loopholes.

2.7 Summary of Theoretical Background

This section of the thesis has explored the key theoretical concepts important in this research project. With the investigation taking place around MLS and the EPL, it was imperative to study the governance structures that are currently being implemented in the respective leagues. The well documented comparisons of governance in North America and Europe is a vital aspect of this study, and using other North American sports such as; American football and baseball clearly demonstrate the distinct differences between the leagues. Competition design has been highlighted to show perhaps the most significant difference between European and North American leagues with the explanation of open and closed leagues. This topic is essential, as North American associations believe that closed leagues are the best way to keep equality within sports. Even though there is a perceived lack of competitive balance in European football, leagues such as the EPL continue to boast some of the higher attendances and viewing figures, which suggest that the theory of competitive balance may not be the key ingredient of a successful competition structure. The literature analysed in this section of the thesis

will allow the researcher to conduct comparative analyses into MLS and the concepts that have been included in their league structure.

3. Research Design

3.1 Chapter Overview

In chapter two a review of governance in sport and specific sporting leagues was accompanied by detailed evaluations into competitive balance and competition design. Chapter three presents the research design, accompanied with the selected methodological approaches employed for this particular study. This section discusses research philosophies, methodological approaches and research design. These methods are pivotal to the efficiency of this study and the success of data collection.

3.2 Research Philosophy & Design

As MLS is a contemporary sporting league, with the first official match being played in 1996, there has been a rise of academic research into football in the USA. However, a large emphasis of research into this topic surrounds the notions of branding and marketing and not into mechanisms of the league such as, the draft. Hence, this study has been conducted to focus on this gap in academic literature by answering the research question: **'Should Major League Soccer Adopt A More European Style Model of Governance In Order To Be More Competitive On The International Stage?'** A grounded theory has been adopted as a methodological approach, including the analysis of the EPL and MLS as case studies, this research will evaluate whether MLS should modify the model of their league to a similar configuration adopted in European football.

3.2.1 Grounded Theory Approach

"Grounded theory is an inductive approach to research, in which hypotheses and theories are generated from the data collected. It is a means of systematically collecting and analysing the data to generate theory."

(Paterson, 2013:37)

This particular research adopts a grounded theory approach, focusing upon the creation of theory, deriving from the collection of data. The majority of academics that express the term 'grounded theory' highlight the relation between this methodological approach and the inductive method. Much like the definition used by Paterson (2013), Oates (2003:513) employs a similar explanation, suggesting that there is standardisation around the definition of this methodological approach and stating that *"Goulding defines grounded theory as an inductive methodology developed by Glaser and Strauss used to generate theory through the systematic and simultaneous process of data collection and analysis"*. Tan (2010) suggests that the approach to grounded theory in data contests the general tenets of quantitative research, which aims to verify, or confirm, theory through the testing of hypotheses.

Grounded theory as a means of qualitative methodology is normally employed to gain a further understanding of the social phenomena (Clamp & Gough, 1999). Goulding (2001) highlights one of the major criticisms of grounded theory, stating this method can be perceived over emphasis on induction. Nonetheless, *"Grounded theory is transcending in the sense that it conceptualises the data, thus raising the level of thought about it to a higher level. It also transcends by inclusion and integration at a higher-level previous descriptions and theories about an area and uses them to*

create a dense integrated theory of greater scope,” (Glaser 1978 in Goulding, 2001:24).

The process of grounded theory has in fact been developed further since its inception by Glaser & Strauss (1967), whereby the purpose of the method was to *“organise many ideas from analysis”*. Strauss & Corbin (1990) expanded upon the original idea of grounded theory, by suggesting that the purpose was actually to build a theory *“that was faithful to and illuminated the area under study”* (Strauss & Corbin, 1990:24).

Grounded theory is of most use when a researcher aims to investigate areas, which have a sufficient lack of literature. Goulding (1999) implies that researching or even developing a new research area, which does not have considerable literature, provides a positive motive to embrace this approach. Heath & Cowley (2004) suggest that central to grounded theory is the belief that knowledge “may be increased by generating new theories rather than analysing data within existing ones” (142).

It is important to state that utilising grounded theory requires frequent attention to develop theory, this can also be summarised as the iterative process, repeating the process of data collection will lead to an improvement of the end result. Myers (2013) states that grounded theory relates to theory development through the continuous collection and analysis of data. The iterative process positively correlates with the adoption of semi-structured interviews, which the researcher has implemented to allow the adaptation of questions to arise in relation to the answers given by previous participants. This should then have a knock-on effect on the quality of data being collected.

Due to this study utilising the qualitative approach to methodology through the use of semi-structured interviews, a grounded theory approach is most suitable in attempting to

answer the research question. The researcher has utilised inter-coder reliability to aid the development of correlations, alongside a specific sampling strategy to ensure the researcher has the best opportunity to collect the data required to make this study a success.

3.2.2 Inductive vs. Deductive Approaches

The methodological design of any study is imperative, as these methods of research are applied to meet the aims and objectives that have already been established and allows for replication of a study. Gill & Johnson (1997:46) pose a suitable question when identifying the correct research methods, *“in other words, what are the sources of such theories and hypotheses, and how do we set about judging rigorously whether or not these theories and hypotheses are ‘true’ and hence appropriate for our use?”* Gill & Johnson (1997) believe that it is pivotal to understand the differences between those methods that are both inductive and deductive. Partington (2000) suggests that a lot of research into management in particular, has focused upon deductive reasoning, as opposed to an inductive methodology.

Beginning with the deductive approach, DeGracia et al (2014) rationalise how deduction begins with a typical premise, following these deduces, stems specific instances. Whereas, induction is the opposite to deduction in the way that conclusions are drawn from the cases that have been experimented. Additionally, Thomas (2006) offers a slightly more detailed description of both the inductive and deductive approach, but overall correlates with the words of DeGracia et al (2014). Thomas (2006:238) states that *“deductive analysis refers to data analyses that set out to test whether data are consistent with prior assumptions, theories, or hypotheses identified or constructed by an investigator”*. Thomas

(2006:238) further insinuates that the primary purpose of employing the inductive approach is to, *“allow research findings to emerge from the frequent, dominant, or significant themes inherent in raw data, without the restraints imposed by structured methodologies”*. As before mentioned, Partington (2000) discusses how he believes a large amount of research into management has related to deductive reasoning, rather than the inductive approach. Connor et al (2009) challenges this comment by suggesting that a shift in research methods is currently being undertaken, as the inductive approach allows for further contextualisation. Saunders et al (2007) conducted a figure highlighting the major differences between the deductive and inductive approaches (figure 4), has been included below.

As this study is based upon a grounded theory approach, the inductive method of research is the most relevant to be applied to this study. Glaser & Strauss (1967) demonstrate how the inductive approach relates with grounded theory and how the data for this research will be gathered and developed *“an inductive, theory discovery methodology that allows the researcher to develop a theoretical account of the general features of a topic whilst simultaneously grounding the account in empirical observations or evidence”* (Glaser & Strauss, 1967 in Pathirage et al (2008:5).

It is crucial to understand the differences between these research methods. Many academics have diverse views on research approaches, methods and philosophies. Knox, 2004 (in Pathirage et al (2008:8) maintains, *‘this non rational alignment between positivism, quantitative methods and deduction and the opposing alignment of social constructionism, qualitative methods and induction limits and confuses the research process’*.

Figure 4: The Differences Between The Deductive and Inductive Approach
(Saunders et al, 2007)

Any research that implements an inductive research method accompanied by a grounded theory approach heavily relies upon developing theories based upon the interpretation of data that has been collected, which is why these concepts have a direct relevance to this research investigation.

3.2.3 Research Design

This study has been conducted due to a number of modern dynamics within the sport and management field. First of all, given the scarcity of academic literature surrounding MLS and its competition design, the aspiration to understand this in an academic context has been clearly defined within the aims and objectives (*1.4 Research Aims & Objectives*) of this research investigation. Secondly, this study incorporates the views and opinions of professionals working within field of MLS in the USA, in which the findings will offer relevance to their industry. Thirdly, this study has implemented an inductive methodology, complemented with a grounded theory approach, in which the use

of convenient sampling has been applied to aid the collection of contextual and quality data. This study can be defined as having a dynamic approach, all the data that has been collected throughout, has been continually analysed, ensuring the study has sufficient depth for discussion and evaluation.

This research investigation adopts a single-phase research design, which takes into consideration mixed methods, even though the majority of this study transmits to qualitative data collection. Semi-structured interviews were organised with industry experts within the MLS field, to gain further information surrounding the competition design of the league and the potential changes that could enhance the profile of the league. This simplistic approach still meets the requirements of the study being valid and reliable, due to the inclusion of semi-structured interviews. Gratton & Jones (2004:273) outline the definition of validity, by stating that validity; *"is the extent to which measurements actually reflect the phenomena being studied"*. Zachariadis et al (2014) believe that a study with greater validity tends to signify the level of quality and rigour, having an impact on the quality of conclusions, which is why convenience sampling in particular, has a positive impact on the validity within studies.

As mentioned, the interviews were prepared using convenience sampling, *"in which individuals who fit the criteria of a study are identified in any way possible"* (Emerson, 2015:166). This allows the researcher to focus upon a specific group of professionals, who have a strong knowledge of the research topic. If random sampling was employed for example, the researcher could end up with a high proportion of data, which has no relevance to the study, as the participants' knowledge is scarce compared to that of a professional.

3.2.4 Single-Embedded Case Study Approach

MLS as a sporting league is being analysed as a case study, and will be compared to the EPL as the EPL as a league is the market leader (see 1.2.3) in European football. Mariotto et al (2014:359) suggest that *“case studies constitute an important research tool in the field of management”*. According to Yin (2003) utilising a case study approach should be contemplated when: *“(a) the focus of the study is to answer “how” and “why” questions; (b) you cannot manipulate the behaviour of those involved in the study; (c) you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context”* (Yin, 2003 via Baxter & Jack, 2008:545).

The use of a single case study, embedded with sub-units is an efficient way of illuminating the single case as a whole. Baxter & Jack (2008) propose that looking at sub-units, which are positioned within a larger case, is powerful, as the data can be analysed within the sub-units separately, between cases or as a cross-case analysis. Thus, allowing greater analysis of the case in question and in-depth comparative analysis from the sub-units. The selection of single-embedded case studies correlates suitably with the grounded theory approach, in which theories or conclusions can be developed on behalf of the data collected. Therefore, for the purpose of this research the single case is MLS as this is the sporting league, which is being critically analysed. The sub-units embedded within this research are the EPL and European football, allowing the data related to the main case to be compared and contrasted.

The role of case studies in this field of study is to fully understand the major differences, which are apparent between MLS and European football, and whether the MLS could become a further

reputable league adopting the concepts used in European football. Semi-structured interviews being the primary phase of this research design, will then allow the data to be examined in line with the selected case. Gilgun (1994) believes that the inclusion of case studies offers a number of positives for the findings of academic research, *“well-described case studies can be an effective means of communicating information and a rich source of hypotheses for other practice situations”* (Gilgun, 1994:374). Due to the lack of specific academic literature surrounding this topic area, utilising case studies is an efficient way to compare and contrast the elements in question.

3.2.5 Interview Design

The scheduling of interviews is the primary method of the data collection in this research investigation. The semi-structured interviews have been organised to gain rich data for comparative analysis of the case studies mentioned in the previous section. This stage of data collection, consists of semi-structured interviews with professionals from the football industry in the USA. The key aim of these scheduled interviews was to gain a more in-depth understanding of the concepts currently established in MLS, as well as receiving detailed qualitative data through views and opinions of the respondents. After analysing the leagues as case studies, this phase in the research process was used to discover whether in fact the MLS could flourish in the future, by making changes to their league model.

A qualitative analysis for this study was the most sensible method to employ, because of the lack of academic literature related to this topic, meaning more contextualisation was required in order to meet the aims and objectives stated by the researcher. It has been argued that qualitative research does to a certain degree lack in

the field of generalisability, however as mentioned by Johnson & Harris (2002) the qualitative approach does coincide with theory generalisability, whereby theories and future work is generalisable. Although questions continued to be asked about the issues of reliability and generalisability in qualitative research, Gratton & Jones (2004) add that qualitative research is becoming increasingly important within sporting studies, as the desire to highlight more feelings and experiences is paramount.

A mixed methods approach could potentially have been integrated, however the collective of quantitative data is not a crucial aspect of achieving the aims and objectives set for the investigation, whereby qualitative data collection via semi-structured interviews is fundamental when engaging in comparative analysis. As discussed by Gorse (2013) the use of semi-structured interviews allows the researcher to gather views and opinions and understand 'how' and 'why', with regards to the research question. Quantitative analysis would have sufficed for closed answers, but as before mentioned, the lack of academic literature related to this topic would make this process problematic, hence the adoption of interviews as a qualitative method to allow the respondents to express their knowledge of U.S football.

3.2.6 Sampling

As the topic of MLS is a very specific case with a perceived lack of knowledge within this academic field, the sampling process of the research design required careful consideration. Gaining access to industry professionals in this field could have been potentially problematic, as the majority of industry experts operate in the USA. Some of the aspects being researched, such as collective bargaining agreements, could be seen as sensitive and confidential

information to the league and its publics. Nonetheless, an American analysis on MLS was vital, even though concerns such as travel costs and access to respondents was probable. With these potential issues being taken into consideration, the researcher implemented a grounded theory strategy (*as mentioned in 3.1.1*) with convenience sampling as the choice of sampling method.

Convenience sampling was the most beneficial route in relation to data collection, due to the specificity of the research exploration. Professionals operating in the industry of American football were targeted; accessing their knowledge of the processes being researched would prove decisive. Many academics would prefer the adoption of random sampling, whereby *"a random sample of people is extracted from the pre-defined population of interest"* (Johnson & Dodds, 2002:104), however, this process is extremely time consuming and costly. Although convenience sampling can be subject to a lack of representation, this type of sampling would prove more beneficial to the researcher, as the respondents' conceptual understanding and knowledge would be far greater than random interviewees.

In designing the interview agenda for this phase of the research investigation, a number of key issues were identified that would be crucial when communicating with the respondents. The issues highlighted are in relation to specific mechanisms of competitive balance; whether the respondents believed that MLS could reach the potential with the current competition structure in place; what changes, if any would the respondents make; the implications of any changes and finally whether the respondents agree that for the MLS to thrive, they should conform to Europe.

The researcher identified a clear rationale for the interviewees, which spanned across five separate industries. This variety of insights from different fields would aid the generalisability of the

study, gaining wider perceptions on the future of MLS to be critically analysed. The five industries are as follows; MLS specifically, broadcasting, sports law, a media outlet and North American sport in general. The thought process behind this rationale was to ensure that any element of bias was removed, which could have been apparent using numerous MLS personnel and to gather a wider understanding of the thoughts surrounding MLS as a sporting competition.

Respondent	Role In The Football Industry
R1	Senior Vice President of an MLS franchise
R2	MLS analyst for a well-known broadcaster
R3	Sports Consultant
R4	PhD candidate – Major League Sports expert
R5	Media Columnist

Figure 5: Interview Respondents

Specific subjects were conveniently selected as a more efficient way of recruitment for the study, additionally it is important to state that representation to an entire population is not the primary aim of this study. The participants were selected as different stakeholders within a variety of fields (figure 5). The approach to sample selection included; contacting personnel at MLS teams via email, researching the official broadcaster of MLS and sports law consultancies through the use of LinkedIn, to congregate specific qualitative data surrounding the draft process, exploring the websites of media outlets to gather the insights of an

MLS expert. The insights gathered from a Major League sports expert were compiled after the researcher attended this person's seminar at a reputable sports management conference in the United States. The researcher identified that the strength of knowledge the individual possessed would offer an all rounded approach to North American sport.

3.2.7 Reliability & Validity

Reliability: "The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable"

Joppe (2000 via Golafshani 2003:598)

Reliability is a key aspect in any research investigation, relating to the transparency of the entire research procedure, which consequently allows for replication. To ensure reliability is covered within qualitative research, consideration of trustworthiness is a crucial component. Seale (1999:266) discusses that establishing a good quality study through reliability and validity in qualitative research, is the "trustworthiness of a research report that lies at the heart of issues conventionally discussed as validity and reliability".

Guba & Lincoln (1981) state that while all research investigations must contain "truth-value applicability, consistency, and neutrality" in order to be contemplated as meaningful, the nature of knowledge within the rationalistic (or quantitative) paradigm differs from the knowledge in relation to the naturalistic (qualitative) paradigm. The academics propose that the principles

within the qualitative paradigm to ensure “trustworthiness” are; credibility, fittingness, auditability, and confirmability.

In this particular study, the process of analysing the collected data has been comprehensive, incorporating the recording and transcription of semi-structured interviews, ensuring that this investigation meets the requirements of the qualitative paradigm, as mentioned above. To also combat any issues with the reliability of the study, meticulous record keeping, certifying clarifications of data is transparent and acknowledging any bias in sampling, resulting in meeting the requirements of reliability in qualitative research.

Validity: *“The extent to which measurements actually reflect the phenomena being studied”*.

Gratton & Jones (2004:273)

Validity is usually broken down into three aspects; construct validity, internal validity and external validity, also known as generalisability. Joppe (2000) states that validity determines whether the research truly measures what was intended or how truthful the results collected were recorded.

Construct validity is classically achieved in research investigations through the number of different researchers taking part in the study, to combat any potential bias that may occur. In achieving this, the researcher has utilised a variety of data sources with regards to personnel taking part in semi-structured interviews, subsequently improving the generalisability of the study.

This study also concerns internal validity, referring to the constant comparison, typically associated with the implementation of grounded theory research. To improve the levels of internal validity during this investigation, the researcher has placed a

strong emphasis on the sampling process, by varying the personnel within the sample, allowing for constant comparison to be instigated throughout. *“Proponents of positivist quantitative research regularly imply that qualitative, especially interpretivist, approaches to human inquiry are so rife with threats to validity that they are of no specific value”* (Angen, 2000:378). Qualitative investigations are perceived to lack the level of academic vigor, but due to the paucity of academic literature surrounding MLS, this method of data collection is crucial to gain a clear understanding of the subject area. The findings of a grounded theory investigation tend not to be high in generalisability, but instead focus on providing a contextual understanding of such issues.

The final aspect of achieving validity is the concept of external validity, also referred to as generalisability. As previously mentioned, qualitative research is often associated with lacking generalisability, however further academic research into this area has highlighted the topic of analytical generalisation, which supports the development of theory, allowing a study of this nature to become more generalisable.

3.3 Data Collection & Analysis

Following the process of collecting data through the utilisation of semi-structured interviews, the amassed data must be critically analysed to distinguish relevant themes. The data provided by the specific interviewees is analysed through the use of coding. Coding allows the researcher to interpret, record and classify the data that has been collected. Kvale (1996 via Bryman & Bell, 2003) suggests that nine different questions may be used in an interview, including introductory, follow-up (e.g. ‘based on experience, can you give an example?’), probing (asking for clarification or further explanation), direct (questions requiring yes or no answers) and interpreting (e.g. asking

questions in a different way to ensure full understanding for the interviewer) questions.

As before mentioned, the interviews for this study took place between February and June 2015. Due to the specificity of the research area and the on-going MLS season, attracting participants proved to be a challenging process. Prior to each conducted interview, confidentiality and anonymity were assured and highlighted once more before the official interview took place. As described by Healey & Rawlinson (1994), assuring the interviewee confidentiality tends to improve the trustworthiness of the interviewer, therefore encouraging a more open-ended, honest discussion. The time of each interview was determined by the experience of the specific stakeholder and quality of conversation.

The researcher used a combination of these specified questions within the interview process, with obvious distinctions regarding the answers giving by the respondent and the general nature of the interview. The interviewer had a specific designed interview schedule available to them throughout the process, however this was used solely as a guide. As mentioned by Goulding (2002), in relation to the grounded theory approach to methodology, dialogues are permitted to flow into other topic areas, perhaps not considered prior to the beginning of the interview.

Regarding the coding of collected data, Myers (2013:167) proposes '*as soon as you start coding a piece of text, you have already started to analyse it. Coding is analysis. You are assigning a label to a chunk of textual data and classifying that chunk into a certain category*'. Saldana (2012) suggests that before the categories are compiled, the data may have to be recoded a number of times due to the inclusion of more accurate words or terms discovered from original codes. This in turn, will have a positive influence on the reliability and validity of the study, due to qualitative coding taking a longer period of time to

perfect. The aspect of 'open coding' runs parallel to the implementation of a grounded theory study, which acknowledges the categorisation, description and identification of different phenomena's within a particular research investigation.

The researcher conducted research alongside another professional conducting investigations around the aspects of the North American model, both were involved in the collection and analysis process, thus having a positive effect on the reliability of the study. This specifically is referred to inter-coder reliability, as in the case, two researchers analysed the data, leading to the output of equivalent conclusions regarding the highlighting of key themes and trends.

3.4 Methodological Conclusions

This chapter has offered a thorough discussion around the methodological principles implemented within this study. This study has been developed to allow for a better understanding on the potential future for MLS through the views of a variety of stakeholders. As mentioned within this section, the extant literature surrounding MLS as a sporting league in relation to competition design, identifies a lack of understanding from a contextual point of view within this field.

Due to the specificity of this study, and detailed approach to sampling, the generalisability of this investigation may be considered lacking depth. Despite the research employing a variety of stakeholders operating within a range of fields, the specific nature of the study still begs the question of generalisability.

Another potential consideration for this study is the overlooking of quantitative data collection. Implementing a mixed methods approach would have contributed to the generalisability of the study, as well as having a more positive effect on achieving internal validity, due to the aspect of repeating certain methods. This in turn would have a domino-

effect on the reliability of the study through replication of the data collection process. Due to the strict time constraints and extant knowledge surrounding this issue as a whole, the researcher took the decision to focus on developing theory and trends. However, applying quantitative data can be an additional aspect to this study in the future as trends and theory have now been developed through the completion of this study.

4. Research Findings

4.1 Chapter Overview

This chapter presents and examines the main findings of this research investigation. In relation to the analysis of semi-structured interviews conducted with personnel from within the industry of MLS, this section analyses the opinions and responses to the differences between North American and European sports leagues, and whether for the MLS to be recognised as a front line sporting league, are changes to their competitive balance mechanisms vital for future development?

4.2 Competition Design: The American Way

It is important to state how the MLS has experienced great success in its relatively short existence. Somewhat surprisingly, the MLS ranks 3rd in the average attendance list of sports in the USA, which is a remarkable feat considering its immaturity. Despite the evident increase in interest of the sport, the sustainability of the league's current operating structure has been a popular topic of debate. As mentioned by Beech & Chadwick (2004:27) "*systemic governance underlines the nature of a key shift in the way that sport is organised*", the researcher believes that MLS may need to perform this shift to become globally renowned.

As mentioned by Borland (2006) the notable difference between the structure of European Football and MLS is the league's competition design. Throughout American sports there is a huge emphasis on single closed leagues for the increase in competitive balance as shown in all of the top four leagues in North America. It is important to state that the development of closed leagues in the USA has been successful, as it encourages competitive balance and supports incentives for investment due to minimal risk regarding finances. The same cannot be said in

Europe as many team's priority is survival-their ability to invest is not only hindered by Financial Fair Play regulations initiated by UEFA but also by the fear of relegation having detrimental impacts on finances through broadcasting and prize money. Many industry experts have contrasting views on the competition design of the MLS, some are calling for the adoption of an open league structure, whereas others feel that the closed system is the American way, which should be maintained.

R2 "Some football fans are calling for the MLS to adapt to the European models of promotion and relegation"

From the perspective of stakeholders, open league structures appeal more than a closed competition design, particularly due to the pro competitive nature of open league makeups. The researcher agrees with the views of Sloane (2006) that the main reason for this point of view appears to be that more games have higher significance, whereby teams are battling to prevent relegation and other teams are fighting for promotion. As previously mentioned by Buzzachi et al (2003) this configuration also encourages balance and further opportunities for so-called 'lesser' teams to compete at the highest level. Although league designs such as the MLS create meaningful competition, this is only seen at the top of the league table. Maintaining competition is what inspires spectators to watch and attend games, which perhaps is a strong reason for the success of the EPL. The closed league model has brought about a major integrity issue in North American sport, also known as tanking. Teams who are not competing for play-off positions have been known to underperform and lose on purpose to ensure they gain a better draft pick in the upcoming off-season. It is ironic that a mechanism of promoting competitive balance is actually being abused for an unfair advantage the following campaign.

Generally speaking, competition promotes entertainment and further interest for consumers, suggesting that stakeholders will benefit more

from a design employing promotion and relegation. For the MLS this could see a major increase in commercial activities, as well as higher spectator attendances.

R3 *“Personally, I would like to see MLS bring itself more in line with the rest of football.”*

The general consensus amongst respondents appears to suggest that MLS should redesign its competition structure parallel to the makeup of European football. It was totally understandable for the MLS to originally propose a closed league structure, as this model has proved a success in the ‘Big Four’. The main issue surrounding this matter is that unlike the NFL for example, the MLS has worldwide competition and is not operating in a monopolistic market. The initial decision to employ a closed league configuration seemed a logical decision to make the sport more attractive to Americans, but now the league is established and has a solid framework, the question lies ‘is it time for MLS to conform with European football?’, thus justifying the focus of this study.

With the league continuing to expand at a rapid rate, promotion and relegation is a realistic future proposition due to the upsurge in the number of franchises. Altstadt (2015) suggests that to assimilate with the European plan, the MLS needs to make way with the involvement of the conference and play-off system, to make the MLS feel like a legitimate football league and not an anomaly. The researcher echoes the sentiments of Altstadt (2015) as this could have a positive effect on the level of competition, therefore quality. Altstadt (2015) also proposes a major change in the reconfiguration of ownership within the league. *“By creating independent ownership, the league will become more competitive because, instead of making league-oriented decisions, teams’ owners will be able to make team-oriented decisions that improve their teams.”* Though making changes to ownership regulations could increase competition, owners would still be under strict guidelines as long as salary caps exist

under the CBA. The competitive nature of the game will not reach the heights desired by stakeholders such as sponsors and supporters, unless top quality talent is operating in the league, and unfortunately the financial restrictions for owners will have a detrimental effect on this process. On the other hand, European football can be classified as a success story as proven by Masters (2014) in 1.2.3. Academics however, have suggested that there is a higher probability of a European league implementing a closed league structure than MLS adopting an open league design.

R2 "It makes me think that in Europe we might go the same way. Owners would love to have a league like the MLS with no promotion and relegation"

With the continued growth of foreign ownership in European football, there seems to be a higher importance on profitability, a model that is apparent in North America at this moment in time. As mentioned in 2.3.2, currently North American organisations place more attention on profitability and sustainability of their franchises. As previously mentioned by Smith & Stewart (2010) there are two forms of sport, commercial and not-for-profit, North American franchises certainly focus heavily on commercialisation over not-for-profit. But could we be about to witness a changeover in the desires of owners? The researcher believes that this is highly unlikely to occur. One of the respondents harmonises this viewpoint by stating that;

R3 "The Premier League is a very attractive product to market to the global fanbase, which means more money for everyone"

Therefore, whilst the EPL continues to be a powerful brand within the global football market, significant changes are not required. Americanising could strip clubs of their competitive nature and promote a profit maximising philosophy, as well as giving owners and their boards negative incentives to spend money and look for progression. The EPL's

unique selling point is its competitive nature, implementing a closed competition design would have a negative impact on the league's competitive product, thus the overall playing quality of the league.

The researcher concurs with the views of Sloane (2006) that consumer interest is of high importance for any sporting competition. Although a closed system as a mechanism of competitive balance is commendable, are consumers receiving the higher level of competition to be entertained? For the MLS to become more competitive, it is the opinion of the researcher that changes are required to the competition design of the league by implementing promotion and relegation and the play-offs need to be removed to encourage higher levels of competition in every game. At this moment in time, the team top of each conference after every game has been completed can still not win the MLS Cup due to the induction of the play-off rule. Abolishing the play-off rule places more importance on a higher number of matches throughout the season, however it is important to include that for this structure to work successfully all MLS teams need to be members of a single league, meaning the combination of the Eastern and Western Conference.

What is also important to state is the effect an open competition design could have on the commercial aspect of football in the U.S. The EPL, which is high in competition, but lacks competitive balance, has just recorded record revenues and profits from the 2013/14 season. Revenues in the league soared 29% to a staggering £3.26bn, which is more than the revenues in Spain and Italy combined.

R1 "Soccer in the united states is the fastest growing sport and you take a look at what's happening on the commercial side of the business, with the partners, not only at the club level, but at the league level and they're breaking in to this property end of the sport and its grown immensely"

With the extreme levels of corporate sponsorship already evident in other American sports, a more competitive MLS has the potential to further

attract a host of high profile sponsors and the overall awareness of the league. Sponsors want to be associated with the pinnacle of that sport, whereby the quality of play and entertainment for spectators is at its highest point. The respondent suggests that the commercial side of MLS has grown immensely, however, the researcher cannot help feel that Europeanising will aid the growth of the commercial side of the game even further.

4.3 Competitive Balance: A Thing of The Past?

Amongst many academics (Rottenberg, 1956; Zimbalist, 2002; Pivovarnik, 2008) competitive balance is an essential feature to improve the attractiveness of sporting competition. As previously mentioned by (Rottenberg, 1956 & Pivovarnik et al, 2008), the concept of competitive balance encourages a perfectly balanced contest between teams, giving them an equal chance of winning. Having no competitive balance suggests the outcome can become too predictable, resulting in stakeholders losing their interest in the sport. This concept is most certainly the 'American Way', as it is something that is not as apparent in European sport and football in particular. The policy of competitive balance has paid its dividends as nine teams have lifted the MLS Cup over eighteen completed seasons. This business model has allowed the league to grow slowly and thoroughly, with a strong focus on sustainability. The inclusion of a salary cap, a revenue sharing mechanism and the presence of the draft have all contributed to the success of the league's equality, but now the MLS has an respectable reputation in the football industry, it has been highlighted that the idea of competitive balance is running its course. The landscape of the league seems to be changing, whereby equal opportunity is looking like a thing of the past. If MLS wants to reach its objective by becoming one of the world's foremost leagues by 2020, it may have to resign itself to substituting its founding values of competitive balance. Schaerlaeckens (2014) discusses how statistical analysis has proven that the height of the teams payroll has a strong correlation with the points accrued during a

season, this is a perfect example of what is happening in the EPL.

Michael Bradley a United States International has supported the talk of radical changes to the MLS's competitive balance philosophy;

"For the league, you have to let teams that want to spend money spend, and let teams that think it's important to have a budget and want to find success that way do that. You can't have a league where every team spends the exact same amount of money, does everything the exact same way. That's not reality" (Bradley via Schaerlaeckens, 2014:1).

As shown by the quote above, players competing in the MLS believe that economic justification will have a domino effect on the league's quality and exposure. Furthermore, it seems that the MLS hierarchy are beginning to take notice of these views and opinions, as shown by the changes to the league's salary cap at the beginning of the 2015 campaign. To help analyse the concept of competitive balance more thoroughly, it is important to evaluate these philosophies individually.

4.3.1 The Salary Cap

All Major League sports operate under a salary cap, which is integrated within the league's CBA. Cohen (2015) explains how the salary cap's intention is to limit the compensation clubs are able to pay to its players. As mentioned by Masterson & Coby Jr. (2013) the salary cap promotes parity between franchises, as well as this, the cap has also promoted equality between players and stability for MLS clubs by keeping finances under control, something that is a real concern in European football. Although there is a higher emphasis around the draft throughout this investigation, the involvement of the salary cap has been highlighted as a mechanism with equal importance.

R1 "Because of the salary cap parameters, it creates a lot of competition amongst all the clubs in the league. That's what we

call an even playing field when it comes to making competitive clubs”

The introduction of a salary cap is certainly a positive mechanism to encourage equal competition, as it would be far too easy for the powerhouses in Major League sports to attract the best players, leaving the less financially powerful teams unable to compete. As seen by the astronomical wages in European football and the severe lack of equal competition, it is understandable as to why this notion was implemented into MLS’ competition design. However, as the league has continued to grow and broadcasting revenues continue to rise, the salary cap which is set at a relatively low amount has come under severe scrutiny amongst players and industry professionals, who understand the implications of this financial mechanism being capped too low.

Geographically, America’s biggest rivals with regards to football is the Mexican’s Liga MX, who have no restrictions on transfer fees and wages. The Mexican league has dominated the CONCACAF Champions League in recent times, which has led to negative opinions surrounding the MLS’ salary cap, as supporters and players suggest that this mechanism on a larger footballing scale, is in fact anti-competitive. There is no shortage of mixed views in relation to the salary cap, some personnel believe that it is the ‘American Way’ and promotes financial stability, whereas others believe that the current regulations are a major contributor to a lack of playing quality and the presence of higher-class players.

R1 “ The reason why I think the league has been able to grow is because of the salary cap”

R3 “If there was true free movement and no salary caps (and instead, a more equitable system like the Premier League's

FFP regulations), players would earn more money and have more control over their careers.”

The researcher approves both of the comments above. Adopting a salary cap has been a successful mechanism to ensure the stability of MLS clubs in the league’s early lifespan, but now it is time for change to ensure MLS can develop to the next level. For this change to occur, the MLS has to make football in America more attractive for overseas players, who at this current time can play at a similar level of quality and earn much more money. America is an attractive place for professional sports people, but at the end of the day footballers careers are short and money talks.

R1 “If we don’t make those changes, you could potentially impact the ability to get the top talent from around the world to come over and play here, because they are going to feel like there are limited resources to be able to capitalise on”

The quote above summarises this issue perfectly. The financial aspect of footballer is a huge motivator, consequently, aligning the regulations with European football by making positive changes to the MLS’ salary cap will see a major shift in the quality of player, and subsequently the overall standard of football. Currently *“the league is not very efficient at identifying and paying average league players, but they pay a good deal more at the top of the quality spectrum”* (Young, 2014). We have already seen a small shift in the right direction as changes have been made in relation to free movement and the salary cap. Players threatened to strike if changes were refused to be made to the league’s CBA, which consequently would have resulted in a lockout at the beginning of the season. This threat ensued a positive outcome, but this is only the beginning regarding salary caps and player salaries. The MLS is simply not an attractive venture for high profile players at the peak of their careers, as the money and quality of football is

currently lacking. *“ If MLS really wants to bring the best talent playing in the United States into the league, they need to make fair contract offers. As long as they’re lowballing the most talented players coming out of college, top talent is going to keep leaving”* (Walcott, 2015).

4.3.2 Revenue Sharing

Revenue sharing, much like the salary cap is another vital mechanism of MLS’ structural design. Dietl et al (2010) explain how in sport, so-called weaker teams produce a negative externality on much stronger competitors, therefore revenue sharing measures have been introduced to improve competitive balance by internalising this externality. As the MLS has a unique business model, all the clubs are part of a single-entity, whereby the league essentially owns the clubs. Revenue sharing is an obligatory requirement of the MLS; income is shared equally amongst all the teams in the league in relation to broadcasting, sponsorship, licensing and merchandising. Alongside the salary cap this has been an effective concept as it limits the super-rich teams with a higher reputation from dominating.

The idea of revenue sharing has been a hot topic of discussion in the EPL, as mentioned by Palomino & Rigotti (2002) revenue sharing is becoming even more important due to the large payments teams receive from TV broadcasters in the U.S. Clubs in Europe have to meet FFP requirements, which state each team is not allowed to spend more than they bring in through revenue, but so far this model has proven to be anti-competitive as it is just making the rich even richer. Yes it is having a positive effect on club sustainability, but FFP is in fact preventing teams from investing to improve. For example; Manchester United’s income for 2014 was calculated at £433.1m compared to that of Burnley,

which was £19.6m. The gulf in financial power is so vast that the gap between the established EPL sides and the newly promoted teams is incomparable. How are these teams supposed to challenge and improve with the immense differentiations in revenue, as well as aligning with FFP? The competitive imbalance and predictability of football in Europe will continue to stay the same, unless a similar concept to revenue sharing in Major League sports is adopted.

R3 " Once the broadcasting deals start becoming collectively negotiated, we'll see the smaller clubs start making enough money to keep some of their top players and perhaps start buying top young players from other leagues"

It is the opinion of the researcher that revenue sharing is an effective method of encouraging competitive balance, which should be maintained with a number of minor improvements to allow teams to invest more in youth development and encourage better player recruitment. Gordon (2013) believes that the college draft is not a pivotal mechanism to encourage competitive balance. As mentioned above, the researcher believes that the draft isn't pivotal, but with the right modifications to college programmes it can be pivotal to the MLS. It is important to state that as the league continues to grow clubs will receive more money from the league, but the income will still not enough to make significant improvements to the league's stature. It is the thought of Smith (2015:1) that *"with so much revenue shared, it is hard to see either how investors make their money back or why they would try to make their clubs anything other than as good as everyone else. The system fails to encourage excellence"*. It would be refreshing to see a revenue sharing type model employed in Europe for pro competition as the predictability levels are at an all time high. Now that the MLS has achieved a stable position, the league can look at the likes of the NFL who have a positive revenue sharing strategy,

to tailor their own to give teams the best chance to invest and encourage overall competitiveness. At this moment in time, there is a feeling that having a single-entity alliance is giving the league too much control, leading to a more cautious approach. This strategy would be understandable at the beginning of the league's existence, but it is now time to support the league in order to continue to grow. There has been mixed views on how the MLS is being governed, a large percentage of stakeholders are calling for the business aspect of the league to take a step back, in order to improve the league on the pitch.

4.4 The Draft Dynamic

As this project places more emphasis on the adoption of the draft in MLS, the researcher has decided to evaluate this in more depth compared to the other mechanisms of competitive balance, which have been discussed above. As mentioned in 1.5, the draft is a process whereby teams sign players who are coming out of college. The clubs are allocated their draft picks depending on where they finished in the league standings the previous season. The concept of the draft is another effective strategy to combat competitive imbalance, as more often than not, the team who finished bottom of the league will pick the best available player in the draft, thus improving their team for the upcoming campaign. If the draft was not in place, the wealthier, more reputable teams would have more bargaining power to sign the best young talent, having an anti-competitive effect on the league.

R3 "If the draft didn't exist, the best players would likely want to play with whoever was offering the most money, or if all the offers were relatively equal, maybe New York or Los Angeles would have an advantage over Sandy, Utah or Columbus, Ohio"

R4 "I would say the draft in American sports is of paramount value to competitive balance. Each league utilizes it in order to give the bad teams a chance to rise up each year. Because of this, especially in the NFL, we see teams go from worst to first on a fairly regular basis"

The draft has been an integral part of Major League sports since it was first introduced by the National Football League in 1935. However, there have been opinions surrounding the MLS, whether the draft is being as effective as it is in the other Major League sports.

R2 "The Draft idea, especially when you have so many kids going to play in College, is still very special for all the American fans and also gives a chance to elaborate an event, which captures the media attention"

There is no doubting the special nature of the draft as it promotes the successful journey college athletes have had in order to become full-time professionals. As highlighted below, the draft process brings a mass of media attention, as it broadcasts which young stars fans will see representing their team going forward. The major talking point is that due to the relative immaturity of football in the United States, the draft isn't producing the quality of player consistently, something that is not a problem in the likes of the NFL and the NBA who have been around for decades.

R1 "Do I think the college draft is important? Yes, in terms of balance, again the types of players that are coming out of that talent pool, yes there has been successful stories"

The draft is a pro-competitive method supporting competitive balance in North American sports. In Europe there is no such thing as a draft, clubs adopt academies as their way of developing young talent, rather than utilising college and university programmes. This process has its issues, as the superior teams still tend to prize away the best young players for

minimal fees, thus having an anti-competitive impact on the sport as a whole. Another major concern with this model, in football especially, is that young players often come through the academies but are released when they get to 18-21 years of age. The topic of nurturing homegrown players into first teams is a real problem due to the increase in foreign imports. This is less of an issue in the United States due to the implementation of the draft, which promotes young talent to play at the highest level.

Gardner (2008) discusses the introduction of the draft in the MLS, in comparison to the NFL and NBA specifically, by stating that they are the same in appearance but different in practice. American Football and Basketball have a wealth of talented players to choose from, some even enter the game immediately as world-class individuals. The researcher supports the views of Gardner (2008) that the draft is an effective strategy in promoting young talent, as well as encouraging competitive balance. However, it is evident that the draft is currently functioning more efficiently in the 'Big Four' than the MLS. The quote below highlights the major issue currently occurring in MLS, suggesting that the college draft in actual fact doesn't make much sense.

R1 "I don't think that college football programmes have the ultimate resources that they need to really develop the players at the right level. If you're not truly developing the top talent then there is probably competitive imbalance right?"

4.4.1 The Draft In The Big Four

As previously mentioned, all Major League sports including the MLS mimic the same competition design, with regards to a closed league system and the mechanisms integrated to promote competitive balance (salary caps, revenue sharing and a draft). After conducting various interviews, the majority of the participants believe that the draft is of major importance in the

'Big Four' and can be hailed as a resounding success in relation to making the leagues pro-competitive. There are however some slight differences regarding the makeup of the draft in the respected leagues.

The NFL draft consists of seven rounds of drafting players, in which one player is chosen each round. As previously stated, teams are placed in order of worst regular season record, ascending to the SuperBowl champions. There are other rules and regulations integrated into the draft process, teams can also trade players for a certain draft pick, trade players like for like or even a combination of the two. This is stark contrast to the trading process seen in European football, where players are transferred for money. As mentioned by Andreff (2011) closed leagues restrict player mobility, therefore players are obliged to join the team that has picked them, but there is a catch. Regularly, players do not actually sign official contracts until after the draft has been completed. This time period is set aside for contract negotiations, if a certain player does not want to sign a contract with a team, other NFL sides can trade present players and future draft picks to settle the deal, as seen with the case of Eli Manning in 2004. If a player is undrafted, they can find themselves on the NFL roster if they impress during try-outs, still giving them the opportunity to sign a contract agreement. The American Football college programmes throughout the United States are well established, meaning there is a constant influx of talented players coming through the system each year. The draft is a crucial aspect of competitive balance and has been extremely successful throughout the history of the NFL. There have been eight different winners of the SuperBowl in ten years, the draft has certainly had a positive effect on the equality of the league. If the draft wasn't implemented, it would be far too easy for the financially superior

teams to poach the best talent more frequently, leaving the less successful sides trailing behind.

The NBA like the NFL has a draft implemented in its competition design, but deciding the order of draft picks is distinctive. The NBA has a system called the Draft Lottery, whereby the 14 teams that missed out on the playoff places are organised based on their season record. The NBA use ping-pong balls, which are distributed to the teams at the bottom of the standings. The worst team is presented with the most ping-pong combinations, this process continues until each team has been allocated their arrangements. Fourteen balls are then placed in the lottery machine, which then randomises a four-ball combination to decide who will earn the number one pick. Running alongside the lottery is the more recognisable college draft, in which all thirty teams are involved. College players who have completed their four-year programme at an institution are eligible for the draft, alongside International players who have to be at least twenty-three years old. The actual draft process is much shorter than other Major League sports, as it only consists of two rounds with sixty players being allocated. Due to the popularity of both basketball and American Football, the draft is now broadcasted each year. Six different teams have won the NBA championships over the last ten years, which still shows a positive influence the draft has had on competitive balance.

The draft in Major League Baseball is also known as the First-Year Player draft. The MLB employs the same rules regarding the selection of players, where the clubs are placed in reverse order depending on their win-loss percentage the previous campaign. Unlike most drafts in North America, the MLB draft takes place mid-season, which includes another unique feature in which the draft process lasts forty rounds. This is mainly due to the fact MLB teams can draft players from college, high schools and other amateur clubs. Free agents are also eligible to be drafted through

compensatory picks. Like the NBA, Major League Baseball has recently added a lottery draft to their recruitment design. The ten smallest market teams and ten lowest revenue making teams are eligible for the lottery, giving them a chance to win one of six extra picks. The lottery has been designed to aid the smaller market teams to gain more talent, as there is a huge difference in revenues compared to the larger market teams. If it wasn't for the inclusion of the draft and revenue sharing regulations, teams such as the New York Yankees would dominate the league year on year due to their financial superiority.

The NHL entry draft is an annual event, which takes place two months following the conclusion of the season. Teams are allowed to draft players from collegiate level, high schools or European leagues. The selection order of the draft is determined by the final regular season standings, combined with playoff results and the lottery, which is utilised in the same way as the NBA and MLB. The weighted lottery concerns the fourteen teams that did not qualify for the playoffs, which is then followed by the remaining teams who are ranked depending on their Stanley Cup results. The entry draft is televised, proving that the draft does not just encourage competitive balance, which offers a wealth of commercial activities and media incentives for stakeholders.

Overall the draft systems implemented in Major League sports carry similar characteristics to one another, which have undoubtedly had a positive outcome on the equality of competition in all the respected leagues. Rosenthal (1995) clarifies that the major positive of adopting a draft is to distribute talent to teams to maintain competitive balance. Despite the positive effect of the draft on competitive balance, the draft does distort free movement, which does pose problems for players and their careers. The researcher believes that the draft in the 'Big Four' has to be categorised as a success. The process has allowed teams to

improve and keep the league competitive, something that is vacant in European football.

4.4.2 The Not So Super MLS SuperDraft

The MLS SuperDraft imitates the drafts that are incorporated in the other Major League sports. The one major difference is the quality available in the draft. It is obvious that the likes of the NFL draft will present teams with high- class college players, as there are highly reputable college programmes for American Football throughout the USA. The sport is the most popular in the country, therefore the talent pool is going to be more widespread, and this cannot be said for football.

R1 "So, I wouldn't consider the college pool, the primary pool of being able to get the right talent, the best talent, that's clearly not the case. But it is one mechanism and one place clearly clubs are able to tap into"

The wealth of talent for sports such as basketball and American Football to pick from is vast, however, the situation in football is incredibly diverse. Due to the smaller reputation of football in the USA, the level of the sport is inferior to the pro game, meaning the majority of players picked through the draft are not at the required level to cement a starting place in the team.

R1 " For instance this year we drafted four kids out of the college draft and actually all four of them we ended up signing contracts to, but that is a rarity. You know you're drafting four or five kids you maybe on average you have two of them that actually end up signing a contract, they're just not at the competitive level to play in this league"

The quote situated above summarises the main issues with the college draft in football. It is commendable that the MLS supports college football by the inclusion of a draft, but it is not producing the consistent quantity of quality players who are groomed to hit the ground running in the MLS. Gardner (2008) suggests that there are not enough regular season games being played in American colleges, additionally the age restrictions and rejection of any professional input is having an adverse effect on development. It will take time for colleges to produce ready-made professional football players. Once the reputation of the game increases and radical changes are made by the NCAA regarding college football programmes, we might be able to see the next Landon Donovan come straight out of the college draft. Until this transition occurs, there will continue to be a high percentage of players drafted and not tied down to playing contracts. The current college draft is also having a harmful effect on the overall quality of the MLS. Young (2014) states how, 60% of players within the league are born within the United States, with 38% being recruited from the SuperDraft, showing the importance of the draft regarding player population.

Despite the evident problems surrounding the college draft MLS has stayed loyal to the draft in an attempt to prove to the rest of Major League sports that it should be the 'Big Five' instead of the 'Big Four'. Gardner (2008:1) suggests that there is a further reason as to why the MLS has continued to incorporate the draft in its governance structure; *"the public relations value of the draft is immense — it goes out live on TV and looks every bit as efficient and meaningful as the NFL and NBA versions. The draft also allows the colleges to feel that they are contributing to the growth of the pro game, and it appears to offer college players a chance of stardom"*.

This automatically suggests that the commercial value of the draft is too vital regarding sponsorship for the MLS to consider eliminating the draft entirely. Nonetheless, some academics and industry professionals believe that even though the draft isn't producing the quantity of talented players that is seen in the NBA and the NFL, the inclusion of the college draft is indeed worthwhile.

R2" College Football does not have the level required to be a competitive league, but every year you see 4/5 players coming from the Draft to have impact in the teams. So I think that's worth having a Draft just to try to get those players"

R1 "I like it at this point, because you have had some good players that have come up through the system at the college ranks that have had very good success here within Major League Soccer and elsewhere"

The researcher completely understands the addition of the college draft in the competition design of MLS. The MLS hierarchy had witnessed the resounding success of the draft in other North American sports; therefore it seemed a reasonable concept to employ from the league's inauguration. Due to the league integrating a salary cap within its CBA, the college draft has allowed the league to have more control over finances, as the players selected through this system earn a much less salary package compared to designated players. This has had a huge impact on the sustainability of the league financially, simply because it averages out the player salaries. *"One small part of that is the ability of small clubs to also have some of the top domestic talent. If we didn't have a system where young elite domestic players and national team players were assigned, you would find that not many of them would go to smaller markets"* (DiCullo, 2013 in

Tannenwald). It is a refreshing model to incorporate, as it is a problem that is apparent in European football. You would never see Wayne Rooney at the peak of his career turning out for Sunderland. The draft for the MLS' competition structure was an attractive proposition. Drawing in fans was always going to be the first hurdle; therefore equal competition was a necessity.

Nonetheless, what is a mystery is why the MLS decided to incorporate this mechanism with no reputable college programs and that drafts are not employed in any other football league worldwide. As the quality of player wasn't obtainable through the college draft, the MLS has attempted to aid the development process of aspiring football players by adding a programme called Project-40, which now has been rebranded to Generation Adidas since Adidas signed a contract to endorse all of MLS's operations. Tunstall (2014) explains that the thinking of this programme was to allow the MLS and the U.S national team to develop high quality talent by introducing them into a professional environment from an early age, as the college football programme was not a viable model.

Conversely, this process further undermines the validity of the draft, as it looks to steer players from college into this specialised programme. The SuperDraft has also seen its round picks reduced from six to four, as the quality and quantity of players simply isn't accessible. There are signs that a separation between the MLS and the college draft is on the horizon, as the league has recently announced that each of the clubs is to create its own academy to improve the development of young talent. As the MLS continues to expand, the need for a large pool of talented young players will inevitably increase. The talented individuals competing at college is already stretched beyond its limits, therefore at present the draft is proving to be ineffective. The majority of industry

professionals interviewed in this project believe that the draft has proven to be unsuccessful and in need of radical changes. *“There’s little argument that the American collegiate system is the optimal way to develop world-class talent. We know this because A) there have been no world-class players developed via the NCAA and B) the free market says so. If spending four seasons in college was the best way to develop players, you can bet the farm that it would have been implemented by clubs around the world”* (Tunstall, 2014).

R4 “It would seem prudent to do away with the draft and mimic the system of player development that occurs in the rest of the world”

R3 “Personally, I would like to see MLS bring itself more in line with the rest of football and do away with the draft system, but it is so ingrained into American professional sport, so I understand why they use it”

R5 “The draft is useful in other sports where teams do not have youth systems, but in football, especially in Europe, players are signed in their youth to a club and I believe this should be the case in the United States”

R4 “In order to compete on an international level, U.S. Football needs to adopt the same training programs and teams that are utilized in the rest of the world, most notably Europe. Based on that, an MLS draft makes little sense because elite soccer players should already be on teams and in programs well before they would be eligible for the draft”

R5 “I feel that it would be best for MLS to eliminate the draft as part of their conforming process”

It is clear to see that the respondents harmonise the comment that the college draft at this current time makes little sense, and perhaps football in the USA should do away with this model all together. One respondent has a slightly different opinion on the inclusion of the draft. This participant understands that the draft isn't the most effective process of bringing in talented individuals, but suggests; why should the MLS change its model, which up until now has been viable and has allowed the league to grow?

R1 "I like it at this point, because you have had some good players that have come up through the system at the college ranks that have had very good success here within Major League Soccer and elsewhere"

R2 "Think that the mix they have, between Draft and Academy Players, already satisfies some of the needs of the European model. The Draft idea, especially when you have so many kids going to play in College, is still very special for all the American fans and also gives a chance to elaborate an event, which captures the media attention"

Rodriguez (2015) highlights how the draft cannot be defined as worthless just because one or two players won't make or break the team's fortunes, as seen in the NBA for example. Drafted players still have important roles to play within a squad, not just so the team can comply with salary cap limitations, as well as international and designated players regulations. The bottom line is that although the college football draft doesn't produce the quality as seen in the NFL, NBA or NHL, it is a real contributor to team rosters and homegrown status, meaning that these kinds of players still have a crucial role to play within a team.

As an avid football fan, the researcher is an admirer of the whole concept of a draft. Bringing homegrown talent through the ranks

into the first team is a real concern in European football, but the draft does have a positive influence on this issue in the United States. Despite this, the researcher concurs with the mainstream opinions of the respondents in that the college draft does not have the same positive effect as seen in the likes of the NFL and the NBA. As football is still a relatively new sport to Americans, the majority of colleges throughout the United States do not have recognisable programmes in place to attract and develop aspiring football players, therefore the young homegrown players coming through the draft system are not at the required level to shine on the professional stage.

We shouldn't dismiss the draft completely, as football and the MLS continues to grow, and colleges begin to implement well structured football programmes, the draft will become a much more effective proposition with regards to player recruitment. At this moment in time, the researcher believes the MLS should conform with European football regarding the debate between draft and academies. There have been major developments in executing academies throughout the MLS, which surely must threaten the existence of the draft going forward. The two systems would cause overlapping conflict, it is a case of having one or the other.

The researcher believes that adopting the academy model, which has been successful in Europe would improve the development process of young players significantly due to the large amount of funding and higher level of coaching. The overall quality of the MLS would benefit from the academy system, as the most talented individuals from North America are already in the ranks, rather than spending a three-year limited football education within a college. The academy profile also allows America's upcoming talent to work alongside other youngsters from overseas and

continue to mature their own game. What is important to note is that being nationally accepted isn't enough for football and it is a global sport competing in a much larger market. Therefore, aligning with Europe on this matter would certainly prove to be a positive strategy.

Removing the draft process until the league is further established would also begin positive steps into altering the rules regarding free agency. This was a major topic in the latest CBA, as currently players are technically owned by the league until their rights are traded away. This has certainly had an adverse effect on player recruitment, as players prefer free movement as seen by the Bosman ruling in Europe (see Appendix C).

R3 "My desire for athletes to enjoy the same basic employment rights that nearly every other working professional enjoys does not line up with the MLS business model"

Walcott (2015) describes how the league then decides how much a salary should be for the player, rather than allowing the clubs to negotiate the deals themselves. Walcott (2015) continues to highlight how actions are currently speaking louder than words regarding MLS' desire to get the best players from college into professional football. National team manager Jürgen Klinsmann has been quoted advising young players in North America to sign for clubs in Europe, as the quality of football and coaching is far superior. This must send alarm bells ringing to the MLS hierarchy, as this would evidently have an adverse effect on the future quality of MLS, if the countries top college talent move to foreign shores.

4.5 A Europeanised MLS or An Americanised EPL?

The heading of this particular section is something that is a hot topic of conversation in the football world. Both leagues undoubtedly have their pros and cons, which is why this is such a fascinating subject. The leagues are polar opposites, but are both successful in their own distinctive way, hence why the researcher has chosen to critically analyse the characteristics of both the MLS and EPL to see which competitive league is structured the most effectively. First of all, it is important to state how MLS has done extremely well to overcome the financial, legal and social challenges associated with a sporting competition. It would be unfair to completely compare the MLS to the EPL, but it is a good way to analyse the MLS' competition design against an established, reputable league in the EPL. Throughout this section, the researcher will look to evaluate both the pros and cons of both sporting leagues, and what changes would be suitable to improve the complexion of the respected leagues.

4.5.1 A Europeanised MLS

MLS has experienced great success in its short life, but there is an impression that the league is now moving into another stage of development now it is established, financially stable and possesses a solid fan base. Despite the impressive growth of MLS, due to its traditional North American competition design, many are crying out for the league to conform with its European counterparts. A major talking point is whether the MLS has the credentials to compete with the likes of the EPL, La Liga, Serie A and the Bundesliga in the future. Opinions are split on this matter, some personnel believe that the current league structure has been successful so far so why change it, whereas others are suggesting that for the MLS to reach its potential, they need to Europeanise.

R1 "Sure without a doubt, again just because I think there is a lot of things that Major League Soccer and what the United States can end up bringing to the table to help to continue to develop and grow things and provide good viable opportunities for players around the world"

R2 "If you're thinking about reaching the level of La Liga, Premier League, Serie A or Bundesliga, I don't think so. There's so much tradition and power over other sports in Europe that I think those four are too far to be achievable"

R5 "I think MLS's long term goal should be to genuinely compete for viewership amongst Europe's top leagues (EPL, La Liga, Bundesliga, etc.), and this will only be possible with conformity to the international norm"

The researcher believes that MLS does have the potential to flourish in the future and become a major player in the football market, but this will take considerable time and some drastic changes to the league's structure and design to make this key step. The major concerns are the capability of the league to be able to hold onto their best talent, the competitiveness of the league as a whole, the development process of future players and the inability of attracting world-class players at the peak of their careers. Positive changes to these three subjects would certainly play a significant role in elevating the reputation and quality of football in the United States. The researcher concurs with the views of Altstadt (2015:1) by suggesting that the first steps on the road to improving the MLS is to conform with Europe, regarding the leagues basic structure. *"Vast discrepancies exist in the format of MLS and other leagues that are still very reminiscent of the attempt to make the league "American".* There are three important changes required to imitate the European model; 1: incorporating

promotion and relegation, 2: removing the play-off system and 3: adjusting the schedule allowing every team to play each other twice each season.

Firstly, MLS should look to introduce promotion and relegation to its structure, eradicating the current closed league configuration. The MLS has been a closed design since its introduction in 1996, unlike the majority of other domestic leagues around the world who are not categorised as franchises. Removing the threat of relegation allows investors to buy into the league with lower risk, but subsequently has negative implications on competition. U.S national manager Jürgen Klinsmann has strong views upon the debate between open and closed competition, suggesting that a change to the European model would benefit the MLS greatly.

“This thrill of the relegation battle is non-existent in the U.S. league. The risk for club investors to all of a sudden play in the second league would be too high. But the sporting side would benefit from it. Our players from Europe know that. That furthers our national team. Something is at stake week in, week out. Be it at the top or at the bottom, you always have to perform”

(Klinsmann via Uersfeld, 2015)

There are however, three professional tiers in the American professional footballing pyramid NASL and the USL, yet these teams cannot move between divisions. How are these teams supposed to improve if they cannot play at the highest level? It is a very bizarre model to employ, but there is one advantage of having these leagues integrated in the pyramid. In 2013 the MLS negotiated a deal to allow MLS reserve teams to participate in the respected leagues, with the ultimate goal focusing on improving player development. The most obvious problem with a single-tier structure is that many teams have nothing to play for towards the

end of the season; consequently the remaining games lack competition, thus entertainment and fan interest. The EPL is famous for high levels of competition right up until the final day of the season, through relegation dog fights, battles for the top four and the title race, unfortunately fans of the MLS at this moment in time, are unable to experience these highs and lows of being a football fan.

Adopting promotion and relegation in the MLS by conforming with European football's basic structure would prove to be a good addition to the league's design. First of all, this concept would improve the level of competition throughout the U.S footballing pyramid by having a positive effect on entertainment for supporters, due to the larger number of games throughout the season with greater importance. This system also encourages quality of football, as there is a target for clubs at the end of the season. This can only bode well for future competition in the MLS and the U.S national team. The current single-entity structure has come under severe scrutiny, with tanking (Taylor & Trogon, 2002) becoming a real issue. Tanking is a well-known phrase in Major League sports, whereby teams who have no opportunity to make the play-offs 'take their foot off the gas' so to speak, meaning that a lower league position allows them to acquire a better draft pick before the new campaign. The MLS is attempting to combat competitive imbalance through various mechanisms, but is the closed league system actually having an adverse effect on encouraging competitive balance? Buzzachi et al (2003) state that closed leagues increase competitive balance, but it is the opinion of the researcher that this could be the case, tanking is a dangerous subject as the integrity of football in the U.S can become under threat, having the potential to affect numerous commercial activities. On the contrary, promotion and relegation would remove the threat of tanking, as the team that finishes bottom are

relegated. The researcher also believes that promotion and relegation will improve the overall competition of U.S football, which can lead to additional opportunities for commercialisation, as the entertainment value of the sport will rise.

The play-off system has been ingrained in the North American sports model for decades. For Europeans this system is extremely bizarre. We are used to seeing the team that has been the most consistent throughout the season crowned champions at the end of the campaign. DeCourcy (2014) explains that the design of the play-offs neither invigorates the final few games of the season, nor provides true justice for the team that is top of the league.

Currently, teams that finished in a mediocre 6th position in each conference still have a chance to win the MLS Cup. The play-off model does not only defeat the object of a sporting league, but disregards the competitive nature of the game. As before mentioned, this system much like the single-tier structure has a negative effect on game importance, leading to a domino effect on spectator entertainment. The researcher could understand a play-off system being utilised in the lower leagues if promotion and relegation was an option, but without an open league the concept of play-offs are meaningless.

R5 "The conference system and playoffs, are relics from when MLS was trying to imitate other American sports leagues to draw viewership in its early years"

The researcher strongly believes that the notion of the play-offs is having a negative influence on competition throughout the league. Teams are allowed to underperform throughout the season, but still have a shot at winning the competition. This is not healthy for the entertainment value of the sport and further undermines the success of the teams that have been most consistent

throughout the year. If the play-offs were to be removed, the competition and game importance would surely become more significant. To make this idea a success, the conference structure will also need to be abandoned, creating a traditional league whereby each team plays each other twice. At this moment in time, the MLS comes across as more of a hybrid league than a traditional legitimate football competition. The researcher would like to see MLS conform with European football leagues regarding the basic structure of the league.

“MLS needs to eliminate the conference and playoff system, adjust the schedule so every team plays every other team twice a season and move the season so that it aligns with the leagues abroad. These alterations will remove the parts of the league’s structure that alienate traditional football fans so that MLS feels like a legitimate league”

(Altstadt, 2015)

R5 “Now that a reputable football league has been established in the USA both in viewership and revenue, the league should start emulating its European counterparts”

The draft process has already been critically analysed in 4.3.2, but this is another part of the MLS that needs to be removed to Europeanise the league. The future for youngsters in the USA is through high quality academy programs, rather than existing college policies. The college process is holding the best young talent back and the strategies in place are not competent enough to prepare the players for professional football. The European academy structure is another aspect that has started to be implemented within MLS clubs, which should be maintained in the future. There will be a greater pool of young talent technically ready to make the step into the professional game. Academies also

eliminate the possibility of players being selected for teams, and then being released immediately, something, which is common within the current draft system. The draft model is most certainly not over, but for the foreseeable future, investing and development in academies is the best way to drive better quality talent into the league.

Despite the evident frailties in the competition design of MLS, there are a number of mechanisms that are working effectively, which should be preserved going forward. Revenue sharing and the salary cap in particular are positive concepts of the Americanised structure, something that European leagues should take notice of. The salary cap is a great addition to any sporting league as it encourages equality, and restricts the financial superior franchises from buying success, something that is very apparent in European football with the likes of Chelsea, Manchester City and Paris St-Germain. The concept of the salary cap is admirable, but simply the cap needs to be significantly increased. More money encourages higher quality talent, and not just in relation to designated players. Due to the financial sustainability of the league, clubs and the league itself are in a position to make fundamental changes to the cap. The researcher approves the comments of Coyne (2014):

“With more teams turning profits, controlling their revenue streams via football specific stadia and selling more tickets, it's time for Garber and company to put their money where their mouth is and raise the cap. Help teams keep useful players and let teams meet the salary requirements of better players”

(Coyne, 2014)

Many football fans across Europe are supporting the idea of a salary cap due to the gulf of financial superiority. The MLS are a

step ahead in this respect, hence the importance to nurture this idea and implement ambitious restrictions to improve the attraction of the league. The underlying issue is that the MLS is trying too hard to operate as a viable business, rather than satisfying the needs for stakeholders. Another model that runs parallel to the salary cap is independent ownership. Owners are currently restricted in investing heavily in their franchises, as all decisions made are league orientated. Team owners should be allowed to invest, but still have sufficient boundaries in place to prevent domination. A balance between the two would work extremely effectively, as the cap would still promote competitive balance and maintain financial sustainability, as well as being able to attract higher profile players and most significantly, hold onto the league's best players who can now earn respectable salaries.

R2 "The way the league will work on their Salary Cap limits will be very important to make MLS competitive, but you also can see how players can have a bigger income by playing in the American market"

Revenue sharing should also be retained as another mechanism of combatting competitive imbalance by bridging the gap between large and small market teams. The process of revenue sharing was achievable in the MLS as each franchise was starting from scratch, therefore no team had a greater advantage over another. It has been statistically proven that revenue sharing accomplishes the requirements of competitive balance if implemented properly. The league does not want to completely stifle revenues, as this can affect development, but sharing TV rights, merchandise and 30% off home ticket sales supports equality. The researcher actually approves the rules allowing franchises to keep their local sponsorship money, kit deals and stadium naming rights, as it allows for increased investments in teams.

“Every league acknowledges that the purpose of a revenue sharing agreement is to allow a closer range of payroll spending that might otherwise not be accomplished, preventing large market teams from controlling the allocation of high-priced free agents”

(Hunt, 2011:2)

Many personnel may believe that this hinders competitive balance, but surely the teams have the right to retain the revenues they generate in their own market. There needs to be a balance between the two, to not only allow teams to invest and develop, but also include a sense of parity. The majority of respondents agree that for MLS to thrive, Europeanising is the strategy they should employ. The current Americanised model has been successful up until now, but for U.S football to make significant strides forward, conforming with European football is undoubtedly the best model to approach. One respondent suggests that MLS is well placed and should bide its time in developing the league further. In the mean time the respondent describes how the MLS' long-term competition is against the likes of the Eredivisie and the Portuguese league.

R2 “They are standing near those leagues and I think that the goal, for the next 20 years, is to solidify their presence in this group, becoming with France and Brasil the fifth world league. There, I think they can reach it”

The researcher believes Europeanising will allow the MLS to easily compete with the leagues mentioned above in a much shorter time frame. Yes, it is unrealistic for MLS at this moment in time to compete with the likes of the EPL, but with the financial attraction, lifestyle choices and sheer size of population, accompanied with a new Europeanised model, football in the USA has all the

ingredients to be a resounding success in the future. There is a sense of caution surrounding this topic, which the researcher actually thinks could have a negative effect on the league by preventing it from flourishing.

4.5.2 An Americanised EPL

The EPL is a stark contrast with the MLS, not just in their governance structure, but also through their reputation and financial power. Due to the huge increase in foreign investment in English football, many overseas owners have called for the Premier League to Americanise, by removing the open league structure. These comments advocate that the owners are seeking the best avenues to maximise revenue, with minimal risk. As before mentioned, this model is currently implemented in North America, which has had a positive effect on revenue generation. The primary issue with this model is that revenue generation is substituted for pro-competition. The EPL's worldwide reputation has developed incredibly since 1992, a major factor of this being the high levels of competition, generated through promotion and relegation. Consequently, the researcher believes that we are unlikely to see any changes to the EPL's competition design. As one of the respondents stated; 'why change things up if it is working?'

Within the last decade, there has been an influx of Americanised activities in English football, most notably; stadium naming rights, larger emphases on sponsorship and also corporate hospitality. There is an impression that football clubs in England are transforming more into business outfits, something that has been negatively received amongst English football fans.

Despite the EPL being regarded as the best league in the world, the league has become increasingly predictable. This issue is a positive aspect of the American model, as seen in the NFL and NBA. Despite

this predictability, the EPL still presents incredible viewer and spectator figures, a major contribution to the continued increase in broadcasting rights. Referring to academic theory surrounding competitive balance and uncertainty of outcome, the EPL is an evident anomaly (Buzzachi et al, 2003). As previously mentioned, due to the Premier League's resounding success, radical changes to the league's governance structure are improbable. However, there are aspects of the Americanised model that would undoubtedly improve competition, without making drastic changes.

First of all, a salary cap mechanism would aid both a pro-competition and financial stability. Player wages and transfer fees, which Rottenberg (1956) suggests are imbalanced, continue to rocket, correlating with the upsurge in broadcasting rights and commercial arrangements. The inclusion of FFP has been designed to help financial sustainability, however, clubs continue to pay astronomical wages. If a salary cap was introduced immediately, we would witness a mass uproar as many players would have only just started lucrative, long-term contracts. Introducing a cap would go some way to bridging the gap between the smaller and larger market teams, which could only have a positive outcome on competitive balance. As the EPL has such an established reputation, the reduction in player salaries should not be detrimental to the quality of players operating within the league. A cap also has the potential for a knock-on effect for grassroots football and fans. A reduction in salaries will free up some disposable income to be reinvested elsewhere, benefitting football as a whole.

There are aspects of revenue sharing present in the EPL, but not on the same level as Major League sports. The only mechanism of revenue sharing witnessed in English football, is the equal split of broadcasting payments. Despite this, clubs gain extra revenue the

more times they are shown on TV (facility fees). Therefore, the likes of Arsenal, Manchester United and Chelsea gain more money through facility fees, as they tend to be involved in higher profile matches throughout the season, as well as having a broader global fanbase. Consequently, broadcasting payments are technically not distributed evenly, resulting in financial inequality. Sharing all broadcasting payments equally would improve the equality in the league, however what are the chances of the top four agreeing with this change? Very slim is the answer. The superior clubs would undoubtedly seek to negotiate their TV rights exclusively, to ensure they maximise their revenue.

As for the EPL Americanising, this is extremely unlikely. The European model has been a huge success in English football, and whilst the Premier League continues to dominate through revenues and broadcasting, why should they change a model that is incredibly successful? The researcher however, does believe that introducing mechanisms such as the salary cap would only improve the league further. The astronomical wages present in the EPL is one of great concern to the sustainability of football clubs, which suggests that introducing a cap would be a sensible addition to their already successful league design. Although it would be uplifting to see the EPL become more balanced competitively, the top clubs in the league are more than likely to oppose any changes, as their superiority and financial power would be provoked. The FA cannot afford to wound the EPL's powerhouses, as they are a vital cog in making the EPL so successful. In relation to the question posed at the beginning of this particular section, there is a much higher probability of an Europeanised MLS than an Americanised EPL.

4.6 The Ultimate League

After analysing what makes a sporting competition successful, the researcher has a number of views in what constitutes the 'ultimate league'. Neither the MLS or the EPL are perfect sporting contests, but combining some of the mechanisms included in both leagues would compose an almost perfect league, with regards to competition and equality. You could argue that the Premier League is close to perfection, but the lack of competitive balance is something that could be targeted. Even though the EPL defies the concept of competitive balance through broadcasting streams and spectator numbers, English football fans realistically know that if you are not a top four team, the possibility of winning the EPL is non-existent. So, what constitutes a perfectly designed competition? First of all the league needs to include promotion and relegation. This concept has been a great success in English football especially, as it promotes high levels of competition throughout the season, as well as optimising spectator entertainment. The idea of promotion and relegation also gives smaller market teams an opportunity to reach the summit of football in their country, providing more favourable levels of competition. Single-entity league structures do have an adverse effect on competition. There is no incentive for teams operating in lower leagues, as they cannot compete at the highest level in their country, which consequently drives spectators away.

Salary caps would also be a positive addition to a leagues competition design. The gulf in quality in Europe is evident, simply because the larger market teams are far financially superior to the rest of the field, thus creating unfair competition. The notion of a salary cap also ensures a higher level of financial stability of entities participating within the league. The only issue with integrating a salary cap, is that money talks in football. If other leagues around the world are not abiding by the same regulations, players will continue to follow wherever the most money is available. You can argue that UEFA's FFP regulations have similar

characteristics to a salary cap, but even with this concept, smaller teams are restricted with regards to investing, as the rules state a club cannot spend more than what they bring in through revenue. Incorporating a salary cap would undoubtedly increase competition, but in modern day European football it is a mechanism that is unlikely to be employed in the future. The influence of super-rich clubs on governance ruling cannot be undermined, meaning that governing bodies such as UEFA have to keep G14 clubs for example, at arms length. Introducing a salary cap would help create a level playing field, the so-called bigger teams would still have higher bargaining power through their reputation, but it would also allow smaller sides to hold onto their best players.

Major League sports incorporate play-offs, but for the purpose of designing an 'ultimate league', this theory should be overlooked. The idea of the play-offs demoralise the true purposefulness of a sporting competition. The team that finishes top of the league table deserves to win the competition. As previously mentioned, overseeing the play-offs encourages consistent competition throughout the season, rather than allowing teams to underperform, but still have the opportunity to be crowned champions.

The league's schedule must run parallel to the FIFA calendar, something that the MLS currently does not adopt. This is an important issue to highlight, as there are severe implications with regards to the international calendar. The MLS season was still in full force, despite the World Cup in Brazil being underway. The best U.S players were absent from the league as they were representing their country, meaning the attendances had the potential to be majorly effected during this period. MLS is an exception, as at this moment in time, there are a number of ground shares and the addition of higher reputation sports to take into consideration.

R1 "With football, basketball and baseball and with us kind of being the new kid on the block, we've got to be very careful that we don't compromise

the long term growth ability for this league, when we make a move and let's say we try to compete and run our schedule the same as let's say what is going on over in Europe, and then we're going head to head with the NFL and the NBA. So if we did that, maybe what could end up theoretically happening, is that could end up impacting our ability to get the best possible TV deal done, because as they prioritise their programming schedule with these other leagues, they would end up not putting us up at the top of the list because they're going to have the NFL as their number one property, and work their way down, that could be an issue that is out there"

For the purpose of an 'ultimate league', it makes complete sense for that sporting competition to abide by FIFA rules regarding scheduling.

The final proposition to consider when designing the ultimate sporting league is player development. As already mentioned throughout this project, this topic relates to drafts and academies. Even though integrating a draft would be a great media tool, it is also an effective way to meet homegrown player regulations. However, the implementation of academy systems would be the most effective choice for this focus. Academies offer a considerable higher level of competition and quality of coaching compared to college programmes, which would then lead to a player being selected once their education has finished at 21 years of age. Another issue with a draft is that players at the age of 21 should already be playing at the highest level, meaning that they are already behind in their football development. Academy platforms are the most efficient method of developing young footballers. First of all, there is no issue with players not being 'up to scratch', something which is seen with the college draft in the USA. Academies only possess quality youngsters who have been scouted and developed internally, who have a chance of making it to the professional stage. As the majority of football teams include high-class academy setups, it allows for competitive leagues, which is another key concept for player development. Despite academies being the most efficient way of developing young talent, the draft is something that has long-term potential. First of all, the draft brings excitement for fans, as

well as being a brilliant media source. It would be great to see a draft in European football, but this diminishes the already established academy system and requires essential changes to European universities' to allow this to happen.

To conclude, the mechanisms that should be implemented to create an 'ultimate league' incorporate; a sense of equality, the best opportunities for player development and fan entertainment. The concepts that meet these requirements are;

- Promotion & Relegation
- Salary Cap regulations
- Revenue Sharing guidelines
- The Non-Appearance of Playoffs
- Running a schedule which shadows the FIFA calendar
- Integration of Academy setups

4.7 Is A European Model of Governance The Future for The MLS?

The respondents have presented some fascinating opinions around the mechanisms associated with competitive balance, as well as furthering the researcher's knowledge of these subjects in the process. What has become abundantly clear from the analysis of the data is that there is mixed opinions regarding whether MLS should Europeanise. On one hand, a number of respondents suggest that Europeanising would be potentially threatening to the leagues stability, whereas the other interviewees believe that a Europeanised structure is essential, if U.S football and the MLS wish to reach the summit of world football. As previously mentioned by Beech & Chadwick (2004) emphasis on fair treatment of stakeholders is an imperative part of maintaining corporate governance, however it can be argued that this isn't happening in MLS due to the high levels of control MLS as an independent organisation holds.

The researcher recognises that there may be caution regarding a potential change, particularly due to the evident growth of the league since 1996, however, the researcher deems the future for MLS is Europeanisation. Despite this, the researcher cannot dismiss the significance of competitive balance to the success of a sports league, but to the interests of Major League sports fans. Therefore, mechanisms introduced to combat competitive imbalance must continue to be integrated. Interestingly, in the study of *'Equality of Opportunity and Equality of Outcome: Open Leagues, Closed Leagues and Competitive Balance'* composed by Buzzachi et al (2003:182), the academics suggest that;

"By a conventional measure the open soccer leagues of Europe are, if anything, more balanced than the North American closed leagues. However, by the dynamic measure of competitive balance the OLs (open leagues) appear significantly less balanced than the closed leagues"

This quote is significant when discussing whether Europeanisation or Americanisation is the superior format for competition design. The idea of competitive balance is Major League sport's unique selling point so to speak; it is perhaps the major difference between North American and Europe, therefore the comments of Buzzachi et al (2003) have somewhat undermined the importance of competitive balance in making a sporting competition successful. Nevertheless, the researcher appreciates the value of competitive balance, and believes that it is still a crucial aspect in ensuring a league is pro-competitive.

So, Is A European Model of Governance The Future for The MLS? Following analysis process, the researcher agrees that MLS's future lies with the European model. The current North American model has been a resounding success in the establishment of football in the USA, however, this competition design has its limitations. The primary limitation is that it differs the league from the rest of its counterparts in the football industry, meaning that the league is a lone ranger. Secondly, the league's current structure is not sustainable for a sport that is gaining a higher

reputation and increasing fan base. The mechanisms that have been incorporated to ensure the MLS remains competitive, are ironically having a negative effect on pro-competition. The salary cap for example, is preventing true world-class players from playing in the league, and furthermore, is forcing the country's best players away from the league, as the guidelines are continuing to be set too low to attract quality players to participate in the league. As stated by Szymanski & Kuypers (1999 in Morrow, 2011:51) *"to maximise on field performance clubs need to spend significant sums on player remuneration costs, yet this expenditure inevitably weakens the clubs reported financial performance"*. The league's franchises are financially stable after twenty years of a sustainable business model, but now the MLS hierarchy must vacate any complacency, or face a future of mediocrity, consequently affecting the league's operations altogether. To further support the comment that MLS should Europeanise, it is important to discuss the concepts that have already been highlighted, to show how their integration into MLS will have a positive effect.

Transforming the single-entity, closed league system is imperative for MLS's growth to employ an open league structure. Football is a global game, not solely a North American sport such as American Football. The MLS is not in a position to compete, until they are operating from the same hymn sheet as the rest of the industry. The closed structure's negativity with regards to pro-competition, outweighs the positive, hence the need to conform. The major positive with open leagues, is that it allows smaller market teams to compete with larger market teams. This is only going to be a positive to competition. There is a larger incentive for smaller market teams operating in lower leagues to reach the pinnacle in their country, rather than being summoned to the lower leagues with no opportunity for expansion. American fans believe in entertainment, the added importance of winning matches throughout the season will only aid this, as well as the development of players in the USA, who will be presented with direct competition week in week out. The researcher

believes that the way the MLS is organised, whereby franchise owners are heavily involved in decision-making, altering the league structure will be a difficult matter. Owners want to have a team that is stable both on and off the pitch, and this is what a closed configuration offers. The focus on being a successful business seems to be a key component to the league's structure, but how will this improve the playing quality and spectator entertainment? The answer is it won't. However, adopting promotion and relegation within one league structure would certainly have an encouraging effect on player development, fan engagement, entertainment and opportunity.

Following the evaluation of the respondents opinions, there is a common agreement that academies are the superior method of player development, rather than the college draft currently ingrained in the MLS' competition design. MLS franchises have recently supported the idea of academies, but continue to engage to college draft alongside this. It is a very confusing subject, a neutral would expect to see one or the other incorporated, not both. The academy process is far superior to the draft, as shown by a number of the top college talent bypassing the draft process and signing contracts for the team whose academy they have been representing. The college draft classes are below average, additionally this is only going to get worse. There will be a further rise in the best young talent signing professional contracts for club academies and sidestepping the whole college process completely. Yes, the draft can produce some hidden gems, but with the increased reputation of football in the United States and amplified focus on player development, the quality talent will be selected at a much earlier stage. Academies have the facilities and funding to offer superior training and coaching, as well as operating within a professional environment. It is moderately conceivable that the college draft is becoming irrelevant as a breeding ground. So, this is another topic that favours the European style of governance, and one that is already starting to take force in the USA. The college draft is a brilliant concept for encouraging competitive balance, but the college

football programmes are not established enough to ready players for professional competition at this moment in time. Once football gains a greater reputation throughout the country the draft could be reinstated, but for the foreseeable future, academy setups are the answer to improve player development.

As previously mentioned throughout this research findings section, there are aspects of the Americanised model that can be modified to correlate with a European style, to create a winning formula for the MLS.

“A variety of restrictive agreements recently struck among team owners in the major North American sports restrict salary escalation of top players. Perhaps it is a coincidence that league attempts to restrain salaries have come at a time when the demand for sport and players’ salaries have grown so much”

(Rosen & Sanderson, 2001:64)

The assimilation of revenue sharing and salary cap guidelines continue to encourage competitive balance, which in turn would associate well with a European model. The researcher suggests that these mechanisms keep an appreciation of the Americanised approach, as well as promoting a sense of financial stability, similar to the FFP regulations embraced in Europe. These concepts are key to prevent the financially powerful teams from completely dominating, but furthermore, they must be customised to allow teams to attract world-class talent.

A subject that has not been discussed in great detail is the matter of free movement. European football has seen the incorporation of the Bosman Ruling, which has allowed players the right for contractual freedom. MLS has witnessed a similar case in relation to free agency in 2015, which has resulted in radical changes to the league’s CBA.

“Under the old system, players with expired contracts were allowed to be redrafted by other M.L.S. teams, but only at their current salaries and with no say about which team they would be assigned to”(Sandmoir, 2015)

As this is a contemporary issue, further research into the future of this matter is for another time, but it is another example of the flaws that an Americanised model has, especially when operating within a global game. One of the respondents who operates as a sports consultant, specialising in sports law, is extremely passionate about the topic of free movement. The interviewee suggests that free movement is crucial in the game, and should not be used as another technique of ensuring competitive balance.

R3 “Salary caps, the draft process, and restricted free agency are in place, ostensibly to ensure competitive balance, but they do so by stripping away athletes' rights. If there was true free movement and no salary caps (and instead, a more equitable system like the Premier League's FFP regulations), players would earn more money and have more control over their careers”

As an expert in sports law, the researcher was surprised to read that the respondent has suggested that the MLS do away with salary caps, Dietl et al (2007) suggest that actually even though revenue sharing prevents the rich from completely dominating, it also restricts less financially superior teams from investing. Even though the current cap is preventing true world-class players from functioning within the MLS, there is a sense that the real meaning behind the cap is effective, it just requires modification. Many football fans in Europe have campaigned for the introduction of a salary cap, so the MLS are a step ahead in this regard. As for freedom of movement, the researcher deems that this matter will coincide with Europe's Bosman Ruling (see Appendix C) for all MLS players in the not so distant future. The current model is a hugely off putting for players, why would a player want to sign for a team and be stuck until a trade for that player's rights arises? European football is a much more attractive

proposition, as players are free to negotiate with other teams once that contract expires.

After evaluating the case studies chosen for this study, with the added input of the respected respondents, the researcher is able to answer the official research question. Therefore, **‘Should Major League Soccer Adopt A More European Style Model of Governance In Order To Be More Competitive On The International Stage?’** It is the opinion of the researcher that MLS should adopt a Europeanised model of governance. This may seem a controversial interpretation as the league has witnessed incredible growth and stability over the last twenty years; however, the researcher has alluded to a thought that the MLS is approaching the next stage of its development. MLS has undoubtedly got incredible potential to become a major player in the football industry. To achieve this potential, the league needs world-class players representing the franchises, a higher level of competition through U.S football and increased entertainment for football fans. Americanisation, although encourages equality of outcome, will not take the MLS to the summit of world football. By Europeanising and imitating European football leagues, MLS can reach its full potential and be competitive on the international stage.

5. Conclusions & Recommendations

5.1 Chapter Overview

This chapter presents the concluding comments of this study, which emphasise the professional and academic contributions to the research project. The applicability of the investigations findings are underlined, as well as the importance of further study in the study of Governance in MLS. Finally, this section concludes with the identification of a number of recommendations for academics and professionals working within the football industry.

5.2 Research Conclusions

MLS' future is a very popular topic amongst football experts, in which it represents the league's hierarchy with a number of key decisions to ensure the MLS reaches its full potential. The evident increase in popularity, in such a short space of time has been a huge surprise to American sports fans Smith (2013 see 1.2.2). Football is now mentioned in the same breath as the likes of basketball, ice hockey and baseball, something that the MLS' bosses could not of dreamed of back in 1996. This topic in itself is why this research investigation is so significant. Given the solid foundation achieved by the MLS, the next step in the leagues development is of upmost importance to guarantee that MLS does not only compete with other Major League sports, but on the international football stage. It is vital that MLS looks to progress, to increase their capability of attracting the world's best players in the peak of their careers, and ensure that the league achieves the status of a 'super league', rather than being situated in the second line of world leagues. The MLS has received its critics by football stakeholders, who have questioned the structure of the league, as well as suggestions that MLS is a semi-retirement home for ex-footballing superstars. Regarding these

comments, this research begins to address the mechanisms that MLS could begin to implement for expansion, using its European counterparts as a case study for this potential development.

The focus of this research has been to analyse how and why MLS should respond to the governance of football and competition design, as presented in European football. As such, in examining the impact of incorporating a European model of governance, this particular research has pursued to conceptualise the key concepts of competition design and the positive and negative effects of these notions on MLS's long-term aspirations. This research investigation provides an in-depth understanding of pros and cons that MLS could face by either deciding to stay loyal to the North American model of competition structure, or conforming to the successful European system. In order to address the existing issues in governance and competition design specifically, this study has concentrated on developing a wider contextual understanding of a capacity that has yet to receive the amount of attention in the academic industry. Furthermore, implementing a grounded theory approach to methodology, has aided the development of practical and academic understanding around the fundamental issues related to this contemporary issue.

In order to identify how MLS can become more competitive on the international stage, the researcher conducted a research design, consisting of three stages, to support the efficiency of analysis. This study primarily includes a qualitative approach to research methodology, which utilises grounded theory (Glaser & Strauss, 1967; Strauss & Corbin, 1990; Goulding, 2001; Oates, 2003; Paterson, 2013) and applying an interpretivist nature of research, which correlates successfully alongside a grounded theory approach. The method of single-embedded case studies was created to evaluate both MLS and the EPL, which was highlighted as a case for comparison. Supporting the evaluation of the case studies, a series of in-depth semi-structured interviews were conducted with a number of stakeholders in the football industry. The

organised interviews were recorded, transcribed and finally analysed, allowing key themes to be compared and contrasted.

After analysing the data acquired from the interviews, the results were unanimous in favour of MLS Europeanising. The respondents were also in common agreement that the draft, which is an aspect employed to meet competitive balance requirements, should be removed, to allow MLS teams to focus more upon developing effective academy programmes. A small number of respondents argued the fact that Americanised approach the MLS currently adopt should be reinstated, by simply stating ‘why change something if it is working effectively?’ Despite the majority calling for MLS to conform with Europe, the interviewees maintain that certain mechanisms should be sustained alongside the conforming process, to take the league to the next level. The concepts include: the presence of the salary cap and maintaining revenue sharing protocols. The general consensus amongst the respondents is that the USA and MLS certainly has the potential to be globally relevant, but evident modifications are required to ensure that this potential is reached.

The popularity and standard of football in the USA has seen remarkable growth over the last two decades. Football has gained respect and an increased reputation from North American sport fans, who now regard MLS amongst ‘the big four’. There is no doubt that U.S football is the next prevalent football market, thus why there has been a rise in pre-season tours into the USA. Other footballing powerhouses recognise that America has incredible potential to produce quality talent, hence the upsurge in commercial activities connected to the American market. It is extremely unfair to compare the MLS to other European super-leagues, but the rate of expansion and growth the MLS is witnessing must be nurtured, if this is developed in the correct manner, there is no reason why MLS cannot compete with the world’s best in the not so distant future.

After studying the relevant case studies alongside respondent's assessments, the researcher has combined the key concepts to create an 'ultimate league', which meets all the requirements for a successful and competitive competition design. The league represents all the concepts that have been critically discussed throughout, offering a template design of what MLS could look to implement to continue to increase the reputation of the league on the international scale. MLS already possesses a number of the mechanisms evaluated in their league structure, however modifying these concepts, as well as integrating others that have been emphasised, would place the MLS in a great position to flourish going forward. Choosing not to incorporate this model, and looking to further develop MLS, could lead to a number of repercussions: fans could lose interest due to a lack of competition; the quality of football could suffer as at this current time the salary cap is set too low, preventing franchises from bringing in world-class personnel; homegrown talent will continue to flock to foreign shores due to larger salaries and better standard of football, thus having a negative effect on the MLS as a whole; the existing college draft programme is not producing the pool of quality young players, something which is not a problem throughout European academies. This design has the potential to be an extremely useful checklist for MLS, however it cannot categorically provide quantitative data to support the qualitative records. The researcher concurs the words of Hoye & Cuskelly (2012) that as sport continues to grow, changes to the management of organisations is vital to prevent strategic drift, and this is the same for MLS.

5.3 Contribution To Knowledge

Although there is widespread research in the fields of sport governance (Fort, 2003; Beech & Chadwick, 2004; Geeraert et al, 2013), competition design (Noll, 2003; Borland, 2006; Andreff, 2011) and competitive balance (Rottenberg, 1956; Kessenne, 2006; Borooah & Mangan, 2012; Owen & King, 2013), there is a scarcity of academic literature

surrounding MLS specifically, in particular how the league could be presented in the future. Throughout the competition design literature particularly, there have been successful attempts into comparing European and North American differences in competition design, evaluating which structure is perceived to be the most effective. Additionally, there has been extensive research into competitive balance, identifying the importance of equality of competition on stakeholders. As such, this research has sought to integrate this theory to a contemporary case in the field of sport management to explain the manifestations within MLS.

Despite this preceding academic research, it is the analysis of the responses of industry personnel to MLS's competition structure, and the contextual factors that could arise regarding any alterations, which differentiates this research from previous investigations. In recognising the contextual mechanisms that have direct relevance to the MLS' league design, this research has sought to provide a wider understanding on how MLS can develop in the future, and significantly, begin to highlight the unbelievable potential U.S football has within the football industry. Primarily, this study adds significant value to field of sports governance and competition design. Moreover, this particular research is a unique attempt to evaluate whether MLS should Europeanise, or maintain Americanisation, taking into consideration the presence of stakeholders. There has not been any specific academic research into MLS as a sporting competition, but instead the majority is focused upon the economics within a league structure (Noll, 2003; Sloane, 2006; Buzzachi et al, 2013) and the correlation between uncertainty of outcome and spectator interests (Rottenberg, 1956; Michie & Oughton, 2004; Pivovarnik, 2008; Manasis et al, 2014). Until now, there has only been conveyed opinions around whether MLS should conform with the European model of competition design, however this research investigation offers a stronger academic perspective into this highly disputed topic.

5.4 Future Research

The primary aim of this study has been to investigate MLS in greater depth, as well as evaluating how this maturing sporting competition can develop to become a major competitor within the football industry. By analysing the responses of stakeholders related to the industry, this research has enabled the development of a wider contextual understanding of both the positive and negative implications that these potential decisions could convey to MLS. By evaluating the relevant concepts related to competition design in football, the findings of this study have offered a stronger understanding of these mechanisms for footballing governing bodies.

Another interesting extension to this study would be to focus on analysing the implications for commercial business, in relation to MLS being either Europeanised or Americanised. Up until this point, the MLS has been a successful and sustainable business model, whereby the majority of franchises are profitable each year, something that is stark contrast to a lot of European football clubs. The commercialisation of football in the United States is vital to the growth of the league going forward, therefore it would be stimulating to investigate this in great depth, especially the views of these stakeholders to potential changes to the MLS' governance structure. As a result of this further research, MLS's hierarchy may look to make modifications to the league to meet the requirements of commercial partners.

There are other existing areas of study that give the researcher further opportunities to research regarding football and MLS specifically. One particular area of interest is the impact of football agents in the USA compared to England. Football agents are not held in the highest regard in the UK, as over the past decade, intermediaries have become more powerful within footballing operations. Recently, FIFA have reformed agent regulations, which has led to a multitude of negative responses from licensed agents. With the adoption of the college draft in the USA,

the NCAA has a major role in the development of college prospects. This is polar opposite to how this process operates in the UK, as it is very common that youngsters aged between thirteen and seventeen are signed to football agencies, before they have even signed a professional playing contract. This would be a thought-provoking study, to critically compare the operations in both nations, to see whether one is more efficient than the other.

There are two primary limitations that have arisen from this research investigation, particularly when finalising the analysis process. First of all, it is clear that integrating quantitative data collection alongside the rich qualitative data, would have offered another dimension to the research findings. Quantitative data would perhaps have been more effective for comparative analysis. MLS, as an entity would prefer proven statistical data for any decision-making, even though the views and opinions throughout this study warrant just as much attention. Additionally, another limitation of this study is time and resource constraints. These constraints have had an impact on the quantity of primary data collected throughout the investigation. The researcher, with more time, would have preferred to have travelled out to the USA again to conduct more primary data with football fans and franchise owners. Acquiring extra data relating to these stakeholders would have allowed for a more all rounded response to the research question.

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APPENDIX A

Interview Transcript

SG – Dr. Samantha Gorse

R1 – Respondent 1 (Major League Soccer)

MT – Matt Taylor

LW – Luke Whitworth

RECORDING STARTS

SG I understand that this information may potentially be sensitive. Therefore, may I assure you that the contents of this discussion will be kept firmly confidential and the recording and transcripts are demolished post-analysis.

Coventry University has a strict code of ethics. All interviews that are conducted as part of this research project will comply with this code of ethics. If you would like to receive a copy of this code, I will arrange for one to be sent to you.

If you would like any additional information regarding this project, please do not hesitate to ask at the end of the interview. Similarly, if you have any concerns or questions during the interview, please do not hesitate to ask.

Once I have completed this stage of my research, if you wish I will provide you with a short summary of findings.

R1 Yeah sure, if there's anything I can't comment I will let you know, and we can move on to the next question.

MT Yeah sure, no problem.

MT Cool, so can you tell us about Major League Soccer and how its structured?

R1 Yeah, I mean erm... so... This is just specifically related to the draft system? Or, just overall regarding the business structure?

MT Just overall about the business structure.

R1 So, you know, Its erm... It's a single entity structure where the league and ownerships with a club collaborate and support one another regarding the erm... operation of the Major League Soccer that when the league was started up almost 20 years ago, the focus at that point was, they don't like the sport, soccer, was particularly big here, in the united states, due to the world cup that had taken place was a good time for the league to venture in. Clearly there have been previous leagues in previous years that have then..., have come up and didn't have great success but I think the timing of the success that the United States had at the World Cup here and the support that they got came from the fans and the erm... people here and people in the United States but also on the corporate side. You know, it ended up being the most successful world cup to date regarding the number of people that attended games and the corporate support. That clearly continues to grow years in year out, especially with the new TV deal that was negotiated and what ended up happening was you had 3 primary owners that came on board with the league to make an investment to buy teams. So you have Lamar Hunt, who was the owner of the Kansas City Chiefs of American football who has erm... who was one of the investors and partners of one of the whole rollout along with Phillip Anschutz, who is our owner, and his primary company AEG, and then the last owner was... erm.... Oh jeez... I'm blank here – New England Patriots owner....

SG Kraft?

R1 Yes, thank you – Robert Kraft. You know, its been a long morning already.

Everyone laughs

R1 So Mr Kraft, Anschutz & Hunt come aboard and they own multiple teams and the way the structured everything with the whole financial make up of the league was to make sure they had a model that could sustain and grow. The long term vision was the market would become successful by building strong fan bases and foundations and those particular markets and the owners and the leagues would sell to specific interest groups and ownership groups to grow that business, year in, year out. So if you fast forward to where we are at as of today, you now have very viable markets with very compelling stories with great success, great growth, great fan base that's really taken place. And data shows us that soccer in the united states is the fastest growing sport and you take a look at what's happening on the commercial side of the business, with the partners, not only at the club level, but at the league level and they're breaking in to this property end of the sport and its grown immensely, erm... in addition to that you take the other revenue making opportunities and other revenue properties at the business side – its very substantial, I mean Major League Soccer just negotiated an 8 year TV agreement and the grown of the previous bill to this deal was the largest TV deal in American sport in recent history. With Fox Sports, ESPN and UniVision coming aboard as the official TV partners, and going back to the clubs as these markets, some of these clubs succeed, some didn't. But there's teams in Miami and Florida and elsewhere, like LA, but they didn't succeed. But then there was other new markets that came in to play through expansion that had great success and great stories and so, you take a look at the two new expansion teams – a second team in New York, and the new expansion team in Orlando. Next year you've got a team coming up in Atlanta, that's going to be rolled out and it includes the great growth and the great stories that are involved with the sport. And so again, as these markets began to succeed, and create strong foundations the three individual owners along with the league started selling off to these private interest groups and a lot of them are owners of other American sports teams. I

mentioned about the Atlanta team coming up, in to play next year, so Arthur Blank, the owner of the Falcons NFL team, or Kraft, not only owns the patriots, but owns the New England Revolution, Mr Anschutz who owns AEG and our parent company, also owns multiple other sports franchises around the world and here domestically, though you've got some great ownership groups with some deep pockets, with knowledge and resources who make really large investments to really grow the sport in the right way, in those in particular markets. And so, where the leagues at today, is ironically about the plan today was always to get the point where each team has an individual owner.

SG Mhhm...

R1 They wanted to go away from having those original 3 primary owners who owned all the clubs, but right now Mr Anschutz of AEG, owns both us and LA Galaxy, so within time at some point in time, with the right owner, our club and organisation will be sold off to another interest group – yeah there's been a number of erm a number of people that have enquired about the opportunity to buy the franchise here locally. But things have more doubt because it wasn't the right time, or it wasn't the right ownership group. But again, AEG's plan, was to always have AEG have the LA Galaxy as their primary team that they would invest in. So, the league is heading in the right direction, when you take a look at the draft and the competitive side of things, I think you guys probably know this better than I do, I've been in this sport since Feb 2012, I've spent 20+ years in professional sport and the sports marketing business, both on the team, corporate and facility management, so I've actually seen it from all the three primary sectors. What I can tell you is, I started in the NBA, spending 3 years there, spent 7 years in professional hockey, and then ended up moving to professional soccer because of the growth, and where the sport was going in the United States, but also because of the success that the ----- had in this market here. The competitive side and the make-up here – I'm not that knowledgeable regarding how it's handled over an EPL or in Europe. One of the big things when it comes to the draft, that's

always been a platform for the MLS to have a pool of talent and the development to get in to this league, but what I think is happening is as the league continues to grow and you can really see a much larger international presence of players that are now playing in this league. I mean you see what's happened during the off season going in to 2015, with the number of top international players, from Kaka, to Gerrard and others that have made the move over to MLS, I think the perception originally started to happen years ago was that it was players that were kinda at the tail end of their career, and wanted to come over to the United States for them to be able to get paid well for the success that they had previously earlier in their careers, but now what you're seeing is, we're starting to see top talent, top international players come to the league at an earlier stage in their careers, because they see the success that this league. We're a perfect example. Back in December, December 23rd, we ended up signing what was considered the top Mexican young national player, with our franchise paying a very large transfer fee for his rights and to have him coming to pay for our club for a 5 year contract involving a multi-million deal to secure his rights. We bought in 2 other solid players that had very good careers over in Argentina and Spain in the top leagues over there. We're just one small example of those similar stories across the board and throughout the league.

SG Mhmm...

R1 And so, erm.... When you take a look at where things are at regarding the college draft I think that's an important platform because we have so many players at a youth level that play competitive soccer and the numbers are mind-boggling because it's a very affordable sport to play compared to hockey or maybe some of the other sports.

SG Yeah

R1 And so you've got a lot of kids playing, but what happened in previous years, is that you didn't really have a true professional league that kids aspire to end up being a professional sports man. So they might start

playing in their elementary years at a young age, but one they get older, they get exposed to what was considered the top premier sports, ie. Basketball and baseball. But now what's happening is the level of top competition is the level of the players that is being developed is of a higher scale and you start to see US players that are having great success. Not only here, but internationally – players are going overseas and having professional soccer careers. So I think its now more of a regular mind set and commitment to see things through. I also think its important to see how you develop the sport, that you see kids now can look at these professional athletes in soccer and instead of not seeing these role models in soccer, but it was easy for you see a Michael Jordan or a Jack Nicklaus in Golf and say, hey that's what's I wanna be.

MT & LW Yeah...

R1 The only common theme I can see being applied is that it's a growing sport, there's a passionate following. There's a lot of people that are getting exposed to it and are trying the sport out. The number of international games that are shown here has grown leaps and bounds here in the past 5 years. The EPL content and those games that are shown here on daily basis. As well as Spain are getting coverage. Like you see 10 years ago, you wouldn't have seen any of this. There are so many things that are coming in to play to show the sport is heading in the right direction. The only challenge, ok maybe challenge is the wrong word, maybe how we're structured using the college draft as a platform, it is more competitive, but there's a larger talent pool that can potentially dip in to, but I feel my lack of knowledge of how its handled over in Europe, I don't know how if its you go to college and play college soccer. I mean do they even have a draft in England?

MT & LW *Laughs* No...

R1 I mean I know the academy system is huge and acts as a feeder system to hopefully develop playing talent and playing in the first team at some

point. That seems to be apart of the whole model to help the sport sustain its growth and be successful.

SG Right. So could you just tell us a little bit about the structure, in terms of how many teams there are, is there a geographical divide are there more teams in the north than there are in the south? – Those kind of things.

R1 Yeah, so, we have 21 teams now in the league, and we'll end up having... erm. We have 11 teams that play in the western conference, which are made up of... Do you want me to provide you of the break down, do you need that?

SG If you could?

R1 Sure. Let me pull up my schedule so I don't miss any out. Lets see, so... On the western conference we have LA Galaxy, Colorado Rapids, Seattle Sounders, Kansas City, FC Dallas, San Jose, Portland Timers, Vancouver, Real Salt Lake and... the Dynamo. Yeah, I think that's 11. Then on the western conference, with the two new franchises, we have Orlando, the two New York teams; DC United, New England Revolution, Chicago, Toronto, Montreal and I think that's it...

MT Yeah, that sounds about right.

R1 So what happened right now with the league, and clearly its unbalanced, once Atlanta comes in to the mix, I'm sure they'll end up slotting them in to the western conference. And again, they do that geographically, to divide the United States in half and try to do it that way. So, Kansas City is the furthest East team that plays in the West if that makes sense. So what happened is that last year we had 19 teams and Houston and Kansas City were in the eastern conference but once these two new franchises came in to the fold, they moved us over back to the western conference, and that's the way its gonna be till 2016.

SG You mentioned Atlanta coming in to the league, there's obviously the Beckham franchise in Miami, are there any other teams that are looking to be developed?

R1 So out in Sacramento, erm... Ill give you the cities that have a very legitimate claim in getting a new franchise over the next 5 years. So you have Sacramento, as I mentioned who has a very successful minor league team and they average like 13,000 fans per game. One other important thing to know is there is a big variance between EPL and the size of the stadiums can vary. I know places like Manchester United and Arsenal and Chelsea have larger venues. Then you have clubs like Crystal palace and stuff like that who have smaller venues. But what was important for the league was not to sit there, when they first started the league a lot of these teams we're playing in NFL stadiums, and you know, when you're sitting there in a 70-80,000 seater stadium, and you've only got 20,000-30,000 people, even though that's a decent number, it doesn't look very good, especially on TV or to the people that are attending those games. Ultimately, what they've got to do it as it started to build a stronger foundation, they wanted to make sure they built soccer specific stadiums for those particular markets. That's another major component. All the new teams that have come in to the league, that was one of the requirements that you have to have a stadium plan, you have to have a specific stadium plan or lease that's put in place. So in Orlando, their playing at what's called the Citrus Bowl which has 72,000 seats bow stadium and they do a lot of college football games and stuff. But they've got approval for a new stadium that will open up next year which will end up having 19,000 or 20,000 seats. Our stadium, as an example has 22,000 which is a little bit larger than average, I think the average is around 20,000 but its important for the league to sit there and build a strong foundation and fan base that can sell out those venues, for people to experience the atmosphere and enjoy it. If there's the ability to expand those venues in future years, then that's great. Listen, if you're selling it out and driving revenues in all areas of the business and you're getting good ratings on your products and stuff like that, it all goes in to the story of trying to grow the sport to have successful franchises in MLS. So, there's currently a handful of teams that are still working on stadium plans – DC United have been around since day 1, they play in the old RFK

stadium, which is where the Washington Redskins used to play. It's not the best set up, it also limited their ability to have commercial areas, due to revenue rights and have opportunities to grow their business financially. But all those original teams are, you know, have a major focus on getting their stadium deals done so they can control all the commercial revenue rights in those venues. But also they can set them up in a way they can build that fan base and hopefully have the demand that is sustaining but growing business. So we originally started in 2006, when we moved from ----- . We originally played for several years at the University -----, which is a college institution and we played our games in their football stadium that is called Robertson Stadium. Then the team moved here, and it was always the plan for the city of ----- to build a soccer stadium for us. Clearly there's a lot that goes in to that – finding the right location, finding the right financial support like finding public support and what's going to be invested in the private side of things. So, back in 2012, we were able to bring a soccer specific stadium for the -----, and we own the stadium and we made that investment and we were able to make a deal out with the City of ----, and it was very important for our franchise to also make sure it was located in the right location. That right location was to be right in the middle of downtown -----, so we're in the middle of the great opportunities that exist here. It's tremendous for us and has been a catalyst for us to grow our business with great relevance with the club and the sport. We have been very blessed and fortunate to receive great fan support. We are very optimistic about what the future holds for us.

SG Yeah. So you mentioned that Sacramento could have a team-

R1 Yeah – so there are a couple of other teams that could be in the mix. Originally there was Las Vegas, and we thought that they were going to get one. Actually the league came out last week saying they're going to hold off awarding an expansion team there. They don't think Las Vegas is the right location for one at this time. I don't know if that's because of the gambling issue or... what. But they did come out and say that wasn't going

to be an option. But some of the other locations that are being considered as viable options are St Louis, Minnesota, clearly what Beckham is trying to do down at South Florida andddd.... Erm they're also taking San Antonio or Austin but I don't know of Austin would get it over the other. I'd give it to San Antonio.

SG And what impact would a San Antonio or Austin team have on you?

R1 I'm sorry, I couldn't hear you.

SG What impact would a San Antonio or Austin team have on you?

R1 I think it would be tremendous. I think it would have... FC Dallas. When we first moved the franchise to -----, we were originally in the western conference and FC Dallas we're also in the division. It was great knowing we were playing them 3 times a year and we can develop that in state rivalry. When you take a look at the residents of ----- and Dallas, there has always been a very competitive fan base is a good way to put it, in all sports. Like the Texans are playing the Cowboys. The fans get in to it and football when Texas played up in Cowboys stadium this year; it was like a home field advantage, because the Texans fans that went up there. We then moved in to the Eastern conference so we were only able to play them once a year, but we were able to create that rivalry and it was a big deal there. That's similar to a lot of markets, like you see in New York. Like when the Galaxy are playing Chivas or San Jose, they get a lot of their fans going to support their team. If we could add San Antonio, I think it would be great, as it would add additional excitement and have a great story line when those clubs are playing one another. But also rival market, which has great potential – for us its just to see growth. The league has a plan where they want to be by 2026 when it comes to expansion. They have a lot of great ownerships that would make an investment, but the league isn't going to grow too quickly – the league will take its baby steps and grow the league strategically and make sure it fits with the long term vision and being in the right markets that can be successful.

- SG Ok then. So what do you consider the main mechanisms are for competitive balance in US sport?
- R1 Lets see – Can you elaborate for me?
- SG In Europe for example we don't have anything that protects the competitive balance of a league. What UEFA are trying to do, the European governance organisation for Soccer, are trying to bring in FFP. This design is for clubs not to go in to too much debt and so clubs can sustain themselves and hopefully try and protect competitive balance.
- R1 Yeah. The reason why I think the league has been able to grow is because of the salary cap. So, there is a salary cap in the CBA agreement that they felt was a good financially viable model. The league also pays the majority of the salary's. The way it works is there is a salary cap for each club, then each club is allowed to bring in, currently, up to 3 designated players. So when you have Gerrard who is going to the Galaxy – The league will pay his salary to a certain amount. Once it exceeds that number, the club will then be responsible for paying the difference of that. This sort of handcuffs some of the larger markets for owners that have deeper pockets to sit there and... lets say in MLB for example, or the EPL where some franchises are spending a lot on player's wages. And then you have others who strict, and have more financial constraints. You know, if you're getting the top tier talent, there's a correlation for them to be more competitive, and for them to have a higher chance of success and winning championships. So I think it's a model that works very well for us at this moment in time. That's not to say it won't change with time. Right now, that's one of the key factors of... at a minimum that sustains a good foundation to see the league grow – and that's where this league is going. Because of the salary cap parameters, it creates a lot of competition amongst all the clubs in the league. That's what we call an even playing field when it comes to making competitive clubs. I think at the end of the day where one team is more successful than another is related to their ability to recruit and find good talent both here domestically and

internationally – this enhances your competitive balance by recruiting better talent.

SG What happens in the Premier League, you can almost sit down at the start of the season and pretty much predict whose going to be in the top four, whose going to be in the bottom three.

R1 Right

SG There's always that shock team – Like what Southampton playing so well this season.

R1 Right, Right.

SG For us, the European league is quite predictable. So the mechanisms that you use to protect this competitive balance is really interesting for us because we don't do it.

R1 Sure.

SG So you mention the salary cap, but are there other mechanisms such as revenue sharing, such as the draft that Matt and Luke can draw on for their study?

R1 Well, on the player competition side of things, that's an area that comes in to play. But the other hand, the overall business model the clubs help fund different pieces of the financial structure of the league. As an example, when we sell tickets for games we have some of that money, there's a percentage of that money that goes back to the league to help with its operating costs and help fund MLS and US soccer. It's a platform and an avenue that is able to provide the necessary financial resources for it to be able grow and do what it needs to be successful and in the right way. That happens on the ticket sales side, happens on the corporate side or commercial sales side. There's also financial support that comes back in to the league when it comes to TV deals or other league wide corporate deals. Where there is revenue streams where it comes back to the club. So

there is a lot that... I wouldn't necessarily say its reciprocal, but there is a different level of support that comes to and from the league to the clubs.

LW Hmm.

SG So you mentioned before about how much, or not particularly knowing about how the European or EPL system works for Football in the UK – sorry proper football works in the UK.

LW *Laughs*

SG Is it something you're actively interested in looking at, or is it something you try and take note of?

R1 Well that's more of just me and... So I mentioned I've been in professional sport for 20+ years. But, I focus my responsibilities here as the chief operating officer. I focus on making sure we're making money and as an efficient business, also making sure we're doing what we need to be doing to be successful. Not only, at a club level, but what we can do for the league in terms of the top tier initiatives. Yes, its important to have that knowledge of what's going on outside of the sport domestically, But I think that's me only being in the sport for 3 years. Like each day I'm learning to do things, it a good way to put it. There's other people in this organisation that have been in the sport for 20+ years. I'm sure they've got more knowledge regarding how the other leagues around the world are structured. What things they do well and what maybe, not necessarily fit for where we're trying to go as a league, or an organisation. So that's more related back to me and the sport.

SG One of the things that happened in European football and this will help contextualise Luke's work a little bit for you, although I'm going to hand it over to talk to Luke a bit more about it. We had a ruling back in the 90s, the Bosman Ruling, made by the European court, that basically allowed players free movement, which led to quite a substantial shift in how the recruitment of players worked across the European leagues. As a result of that we've now, it used to be the fact players could move at any time of

the season, but what they wanted to try and stop teams from doing is building teams to play the next team at the weekend.

R1 Yep.

SG So we now have this process in English football is the Transfer Window, and we have two transfer windows every year, one across the summer, and then one across the Christmas period.

R1 Right.

SG And Luke's going to tell you a little bit more about it.

LW (LAUGHS) Thank you. Yeh I mean, transfer windows over here ----- are a bit of a free for all to be honest with you. Normally the Christmas window will last about four weeks and the summer one runs from the close season until about two weeks into the season, and one of the things obviously in my part of the research, is could you ever see the MLS transforming their trading system from a draft to maybe a transfer window, or do you think that is very much a integral part of the structure of the league?

R1 Right. You know, it's a good question, I know there has been discussions about it, I also know there has been discussions about you know, does it make sense for Major League Soccer regarding our schedule, you know when we're playing games and when we're in season when we're offseason, if it makes sense for us to look at going to the same model and schedule that the other leagues have around the world that was actually a very in depth conversation and topic when Major League Soccer was renegotiating the new TV agreement, because what we have to keep in mind is, you know, we've got other major professional sports leagues that have been around for a hundred plus years that have a lot of equity and relevance here in the United States.

LW Yep.

R1 With football, basketball and baseball and with us kind of being the new kid on the block, we've got to be very careful that we don't compromise the long term growth ability for this league, when we make a move and lets say we try to compete and run our schedule the same as lets say what is going on over in Europe, and then we're going head to head with the NFL and the NBA. So if we did that, maybe what could end up theoretically happening is that could end up impacting our ability to get the best possible TV deal done, because as they prioritise their programming schedule with these other leagues, they would end up not putting us up at the top of the list because they're going to have the NFL as their number one property, and work their way down, that could be an issue that is out there. You know, so you've got to make sure that, if we were to look at doing something like changing the time of the league schedule to have it be consistent with major leagues around the world, that like I said doesn't compromise other areas that are obviously very critical for our success, our both club and league success. The transfer window I think is maybe a little bit easier of an issue to maybe be addressed, but you know there hasn't been any consistent comments to say yeh that's a long term plan of something that we're going to work towards I will have to defer that back to the league and the people within the league that are making that type of decision, but like I said I just don't know enough, you know I've got some sense of information and what some of the comments and thoughts are but you know I don't know if there is a consistent or strong thought one way or the other.

LW Yeh. Do you think, if for example the league did decide that a change to a transfer window was the way to go, do you think teams in league could actually attract better quality players?

R1 Yeh, without a doubt, you know like I said you are starting to see a movement of players in their prime at younger points in their careers, are starting to make the move over here. So if you are seeing that movement now, I think the transfer window piece I think that's something that could be worked out and could end up working and wouldn't be a detriment or

wouldn't compromise the current structure of what we have been able to do, I mean again if we can do it within the current circumstances structure what we have now.

LW Yeh.

R1 I don't think it would impede our ability to be successful on you know, getting the right types of players to come over here to play in Major League Soccer. I think these players see the growth of the sport and the league here, and I think they also as they evaluate this opportunity, clearly they see they can make some good money, there's probably some, some additional commercial and endorsement opportunities that they can take a look at just living here in the United States, the cost of living and some of the kind of personal things that they might be evaluating as they consider you know an opportunity over here with the league, and I just think there is a combination of things there that make it of value and interest and you know I would think that you know the types of movement that you have seen on the players side, I don't think that is going to stop, I think that is only going to continue to grow and I think you will continue to see that level of player coming over here and playing in Major League Soccer.

SG It's an interesting one, you were just talking then about the schedule of the league, because your league is scheduled over the summer months, it could actually play massively into the U.S national team's advantage when it gets to Qatar 2022.

R1 Right.

SG With them now saying they are going to move it to the winter, its going to completely screw with European leagues.

R1 Right.

SG Do you think Qatar 2022 is going to be really important for Major League Soccer the more successful the American team is, out of season?

- R1 Yeh, I mean I think there is definitely a correlation there, you know I've read some of the comments that have been made from some of the chief executives, with some of the EPL clubs and talking about what kind of conversations are going to be coming back to, you know their leagues and stuff and their clubs because of how that is going to impact their schedule, and the way things are currently structured there.
- SG Yep.
- R1 So with that being the off-season and our guys being specifically focused on not having a compromise of competing with the league schedule, I do believe that is a big advantage. Now to the other side of it, if you take a look at the makeup of the U.S national team, with this past World Cup, I don't know what the percentage breakdown is, but clearly there is a large number of U.S players that have played internationally.
- SG Yep.
- R1 So there is still going to be an impact on those U.S players, you know when you've got Howard (Tim) that is playing in the EPL, Geoff Cameron and you know so on and so forth. So I do believe there will be a benefit there, you know I just think the whole Qatar issue is complete separate extra issue in itself, just the way that country ended up getting awarded the games.
- SG Oh yes!
- R1 You know actually the United States was, as everybody kind of looked at it, no different to what happened with London, I mean it was you know United States trying to get the World Cup in 22 and I guess London was trying to get it in 2018.
- SG Yes
- R1 And I think both of our countries were very much shocked about the decision by FIFA to go to those other countries, so you know when the ruling came out about them agreeing to move the games to the Winter

window, I never thought that was going to happen. But then again, because of the issues and challenges that country going to have during that particular time, I mean I guess it makes sense, but I thought there was just too many things with the other league schedules that it would be difficult for them to make that decision. But I guess they did it right!

SG Yes. Do you think then that the Major League Soccer would benefit from a U.S hosted World Cup?

R1 Oh without a doubt, yeh without a doubt. I mean again that was the platform for us to get the league, Major League Soccer rolled out, back in the 90s. You know the more that people are seeing and hearing, you know about the World Cup and the sport of soccer and all that stuff here is, it is tremendous. You take a look at the infrastructure and the resources that our country has, no different to what England has, you know you've got some great venues, stadiums and infrastructure transportation, and rail and all that stuff that is in place and hotels and everything else, to be able to put on a very successful event, and you know the United States hasn't really had any issues or challenges when it comes to staging the world's largest sporting event.

SG Yeh.

R1 But then you also take a look at the commercial opportunities that reside here, I think that is also another major plus, and I know FIFA takes a look at that, but I'm sure when the World Cup bids go back around again that U.S soccer will end up submitting a bid and wanting to be part of that process. Ultimately we'd love to be able to get it back without a doubt. There's too many benefits that come along with hosting an event like that, you know in your country.

SG So you mentioned there about the sort of facilities, revenues and things like that, that are available for U.S sport. Could you talk to us a bit about revenue sharing and how that works?

R1 The revenue sharing with Major League Soccer?

- SG In general if you could provide us with a bit of contextual information outside of soccer, and talk about it in soccer as well.
- R1 Yeh, so let's see, for instance all the leagues one of the primary revenue streams is going to be the TV rights.
- SG Yes.
- R1 You know that's mammoth. Multi billion dollars that are going to back to the leagues which then at that point teams within those leagues are getting a percentage of that money, which obviously is a critical revenue stream and resource for them to be able to be successful and run their businesses, and do what is necessary. Every league is different regarding the makeup of how the revenue share works, regarding how those revenues and expenses are shared or are rolled through one another, you know so the one consistent thing is when it comes to the TV broadcast rights. Every league and sports organisation or club is always getting a percentage of that money, and I know that some of the other leagues, for instance the NFL for my understanding this could have changed, previously I know that when the league had league wide sponsor deals, or like NFL sponsors, the league was retaining a 100% of those revenues.
- SG Right.
- R1 Like I said it is from league to league but like I said the one is on the TV broadcast side and after that I have to be honest with you I don't know what currently those other leagues are doing, because some of it is confidential and a lot of it is hearsay, how people say you know how the revenues and expenses are shared.
- SG Ok, so how then does it work in Major League Soccer?
- R1 Well you know as I mentioned to you, you know there is various revenue streams that the league retains that's passed on to the clubs, or the clubs pass on to the league.
- SG Right.

- R1 I touched on ticket sales and revenues that are generated there. The club level, a percentage of that goes back to the league, there is also some commercial and sponsorship rights, but again the league also picks up various operating expenses, so from the player's salaries to team travel, which is a big deal, you know at the other clubs you know they are picking up their own travel. What else could be applied to that? Team travel, player salaries, those are really the two primary expenses that the league ends up picking up, and then like I said on the revenue side you know you have got money that is coming and going.
- SG Right, so I don't know if you are going to be able to help us with this or talk about it in any great detail, is that likely to change or is that likely to be shifted a little bit with the new Collective Bargaining Agreement?
- R1 There very well could be, you know the big thing that the players are looking for, from everything we have been hearing is about some changes when it comes to free agency, you know the league is pretty firm, the owners are pretty firm regarding their expectation when it comes to free agency or not having free agency. But there could be some adjustments that are made, that helps us to try and meet in the middle on that topic, but I'm not in those meetings with the owners to know how flexible they are going to be on that, and I also know on the players side they've come out to say that if free agency and the salary cap is not addressed and changes that they will strike. I hope that is not the case because I think that will be a big black eye for the league and I think that all the success and growth that this league has had, especially over the last five to ten years, I think it would hurt everybody; players and the owners, so at the end of the day I think it would be a bad thing for the fans for some reason games being cancelled, if there is some kind of lockout.
- MT So, sort of, if you were like to make improvements, what would you say you would focus on mainly, and for what reasons?
- R1 Say that again sorry.

- MT What improvements if any would you make to the current MLS revenue sharing system?
- R1 I like where it is at, I like the structure of the league. I mean again I think it's a model that has been able to grow and I think it has been a viable business model so I wouldn't change it. You know there are some tweaks here and there, some smaller things, yeh maybe, but I mean all in all when you take a look at the big picture, you know why change things up if its working? You know again I understand when it comes to free agency and the salary cap issues and stuff like that, the players sit there and see that the league's securing these huge TV rights and all these clubs are really growing and doing well, selling out games and so they are correlating that, they'll say hey listen you know at the end of the day, the players are the primary product that people are coming to see, and if the clubs and owners are making money so why shouldn't they be able to share it in that? So I get that, and the owners get that to. So there will be changes and there will be those key critical issues that will be addressed, and they will come up with a solution that works for both sides. But what magnitude or size of scope those changes will be made and how they will impact things, I can't tell on that. You will end up seeing some things that will change on that side, by no means is the current structure of the CBA agreement and the way its been the last several years, I can not foresee it staying the same way. Hey listen, the other piece of it you can look at, is how you can take a look at how you continue to get top talent from around the world to come here, I mean there is another correlation there. If we don't make those changes, you could potentially impact the ability to get the top talent from around the world to come over and play here, because they are going to feel like there are limited resources to be able to capitalise on, based on what they could for a club or this league. So you know again, I do foresee some changes being made, I just don't know at what level.

- SG You mentioned there about the fact you like the way the current system works, do you think it is sustainable long term with more and more teams being added to the league?
- R1 Yes.
- SG Ok.
- R1 Yes without a doubt. You know the model that is setup has been working, it worked when the league was new, you know when there was a limited number of teams back then, to where it is at today and getting the right owners and being in the right markets has been critical to the success that the league has had, and as the evolution of Major League Soccer and the growth of it is continuing to improve. You know we've been able to continue to capitalise on and grow with it, without there being any hindrance or road blockage, because of current policies or stipulations that are key critical items of the structure of the league. I mean that hasn't been anything, because of the way the league has been structured that it has held us back, at this point.
- SG Ok, you mentioned about, just them about picking the right markets for the teams to be established in, what's happened with Chivas, because they have gone haven't they?
- R1 Yeh, I think it is a variety of issues there, number one it was an ownership issue, you know I think he had Chivas Guadalajara coming to the league, and thought that they could implement a kind of same approach and because of the success they have had in Mexico, that would correlate over here in the United States, and Chivas clearly has such a huge fan support and following down there, and of course when you take a look at United States, the number of first and second generation of Mexican residents that reside here now, they thought ok, we have around two million expanding population in just Houston alone, and so they probably thought that there would be a lot of that fan support that would end up supporting their team and brand there in LA. But one of the other big challenges that they didn't have their own specific stadium that they

could call their home, I mean they were playing their games out in StubHub where the (LA) Galaxy play, clearly that's their home, and you know its funny because if you take a look at Basketball with the Los Angeles Lakers and Los Angeles Clippers, they both play in the same arena, and for years the Clippers were a complete after thought but now that the team has gotten competitive there is no issues or challengers to be able to sell it out or being able to take advantage of sponsorship opportunities for their games and within that venue, even though people always look at Staples Centre as the home of the Lakers. You know, if you're a hard-core Clippers fan you know that's where you play your games, but they've been able to be successful, but I also think its because the club has improved and they now have got a competitive team. Chivas has never been that good, evidently and if you don't have a hard-core fan base supporting you whether you are winning or losing, its going to make it much more challenging, so, I think again not having their own venue, I think the ownership issue was a challenge and the third piece of it is, just the business model and approach to the previous regime that the organisation was trying to do, I just don't think it worked in that market.

SG Ok.

LW We spoke briefly about the draft earlier, can you tell us exactly how that works?

R1 The college draft?

LW Yeh, please.

R1 Yeh, so no different than any other American sport here, what happens is there is a college combine, where guys that are coming out of college, you know they have hopes and dreams to play in Major League Soccer, so they go to the combine in Florida, all the coaches and scouts from all the clubs in the league will go down there and they will scout the talent, have their individual meetings and stuff and see who possibly would be of value in their particular clubs. The draft itself is made up of two days, where you the first day has two rounds, each club has their picks that they

make, and then there's an additional two rounds whatever players don't get drafted again you can find as a free agent if the club wants to bring you along to try-out. It's just one of the platforms and ways that clearly MLS clubs are able to get talent, but I think you are seeing a lot more recruiting that is taking place round the world to try to tap into talent pools elsewhere, just because of the success all these other clubs have had around the world and have been doing for hundreds of years. So, again you have seen some good college players come out through the draft, but I think the other thing you are starting to see a bit is these kids that are American born will start playing soccer at a very young age, they start developing, they start getting better and there's a number of stories of a lot of these kids will end up going elsewhere around the world, and getting into these academies with other clubs and try to develop their talents elsewhere, hopefully be seen and end up playing internationally, some of them actually end up making their way back to the United States to play at college level as it didn't work out, or they just take some different routes to end up playing somewhere. So, I wouldn't consider the college pool, the primary pool of being able to get the right talent, the best talent, that's clearly not the case. But it is one mechanism and one place clearly clubs are able to tap into.

LW So, what are your thoughts on it then, do you like the inclusion of the draft or do you think it would be better to stay away from it?

R1 I like it at this point, because you have had some good players that have come up through the system at the college ranks that have had very good success here within Major League Soccer and elsewhere. But I still think with the most successful or best path is going through the academy structure with what all the clubs have around the world. You're clearly investing millions of dollars a year to help develop those kids because you think they have the potential ability to eventually be on the first team and if that wasn't a viable tool or resource to do it, I don't think clubs would be investing as much as they are.

- SG So you mentioned there about the combine, obviously the NFL combine is going on right now or has been in the last couple of days. Is yours televised?
- R1 The draft itself is televised just on the first day, and the first round, I don't think they do the second round. There is some different networks that are picked up, but it isn't as if ESPN are broadcasting it. Unfortunately the league also doesn't have its own network like NFL network and things like that, so if at a point in time that ends up coming into place, you would see that content being brought on that platform.
- SG Is that part of the league's long term plan do you think, to have their own network?
- R1 Oh, I'm sure it is, but I think right now the big thing is expansion, the whole thing with the CBA agreement of course has been a big focus and priority for them the last couple of years, I don't think anybody wanted to wait until the eleventh hour to try and have this stuff resolved and get to the place that we are at. But long term wise, without a doubt that's go to be a point of focus. Again it is another critical focus of the league to be able to grow and build.
- SG When does the combine take place?
- R1 It took place in January, so it is held a week before the MLS draft, so they go down the third week of January and then right after that they go straight to whatever city is hosting MLS draft.
- SG Is it hosted by cities that have got franchises?
- R1 Correct. So this year it was at Philadelphia.
- SG Just when we were talking about expansion and where the franchises are and whatever, do you think Major League Soccer teams are more successful if they are in cities that have already got an existing sport fan base? So with you being in -----, have you benefitted with having the Texans there and the Rockets and the Astros?

R1 That's a good question. I don't know, I would say that the market would have its opportunity and challenges, I think it would be difficult to have a clear cut answer across the board, because there is different circumstances and things that come into play that would change your opinion or view one way or the other. For us, again we have good success and our business has grown immensely, so us being in a large market and having other professional sports teams here and other entertainment options for people to consider where they want to spend their entertainment dollar, it hasn't been a challenge for us. We love the market, we love the support we are getting, we love the growth of the business, but our opinion might be different then Philadelphia, then again they do well! A lot of the teams have got very positive stories to be told.

LW Just another thing ----- from me about the draft, do you think it has a positive effect on competitive balance?

R1 Do I think the college draft is important? Yes, in terms balance wise, again the types of players that are coming out of that talent pool, yes there has been successful stories, but is that the most viable platform to getting the true top talent, no we're not. It is not there, if you take a look across the country within the NCAA and the number of college and universities that have soccer programmes, there is a large majority that do not carry soccer programmes, because either the markets that they are in just because of the funding that comes along with it, with funding an athletic department being a soccer club. I don't think that college soccer programmes have the ultimate resources that they need to really develop the players at the right level, but again there is good stories that have been told there, if you're not truly developing the top talent then there is probably competitive imbalance right? Because then again you're going to be getting your talent pool elsewhere, that's the reason while you see so many clubs that are getting players either through their academy programmes, where they develop them themselves and these kids aren't going off to college or they get in outside the United States. For instance

this year we drafted four kids out of the college draft and actually all four of them we ended up signing contracts to, but that is a rarity. You know you're drafting four or five kids you maybe on average you have two of them that actually end up signing a contract, there just not at the competitive level to play in this league. The other piece of it is a lot of clubs here now are investing into USL Pro which is a minor league here in America and U.S Soccer, and it is similar to Major League Baseball where they have their minor leagues, where they have got three or four minor league teams, class A, double A, triple A all that stuff, so all the clubs now are investing into these.

(Put On Hold)

SG We've just got a couple of more questions, if you have got time to answer them for us?

R1 Sure, go ahead!

SG You mentioned there about the recruitment of players, what kind of impact or effect do you think agents have?

R1 I think it depends on each particular agent, I mean some of them have more experience than another. Some of these agents have been around for many years and do things the right way, I do think there is a lot of other agents depending on who players are aligning themselves with that don't always get good information or accurate information that maybe where an agent can mislead them or not provide them with the more appropriate details or feedback on things that they should or shouldn't do, but there not getting possibly the best consultation, again there is so many agents now that are representing players, that is a very tricky and delicate issue, because we have had incidences where we have had a player we want to sign, and we get contacted by multiple agents saying they represent a player, so who are we meant to be talking to! It's an interesting business.

- SG And you mentioned just now about the quality of players coming through the draft system or the college system, do you think the NCAA and Major League Soccer need to work more closely together to facilitate the development of better players?
- R1 Yes. I'm sure that there is a lot of conversations when it comes to that to what extent and what specifically they are talking about and how is it that Major League Soccer, U.S soccer can help support that type of development at collegiate level I don't know what the thoughts and discussions are being had on that, but my opinion would be yes, that would make some sense and be of value.
- LW Last one from me -----, do you fear that European giants such as the big teams in England and Spain will poach America's best talent because of some of the implications of the league, so like the salary cap, probably not being able to make as much money, and maybe the quality of football?
- R1 Yeh without a doubt that could happen, also listen, a lot of these kids especially in their earlier years, when you had a Landon Donovan that was coming up, he had aspirations to play internationally, and clearly he tried to do that, made the decision or things didn't work out or whatever the case maybe, whoever you are talking to, and ended up making his way back here and had a great career not only with his time here in Major League Soccer but on the national team, but I would be naïve to think that players as they are coming up now don't have aspirations to sit there and go and play in the EPL, or you know go play in Spain, or go play in the top leagues around the world, because again clearly you can make more money and be on the biggest stage is there, it is not here right now. It would be nice to be there, and we are happy with the direction we are going, but we're not the EPL we know that, so and that's ok, like I said we've been around for 20 years, we haven't been around for a hundred years, so it is going to take time to grow and be considered at that stature and level, but again if we can continue to tell positive stories and see

growth within the league and have clubs that are successful, I think we have a bright future and a good foundation as we move forward.

- LW So do you think in the future the MLS can compete with the likes of, maybe just yet but the Premier League, maybe LA Liga, Serie A?
- R1 Well yeh eventually, sure because I think we have just as many resources that are available to us that we can use of value and could use to sell to make things attractive but again we need to continue to develop the players and have more competitive players, where you've got a strong player pool across the board, it cant be that you have four or five strong call them top tier players at a club and then the rest never even come close to ever being on a first team elsewhere, so it is just going to take time, but can we actually get there? Sure without a doubt, again just because I think there is a lot of things that Major League Soccer and what the United States can end up bringing to the table to help to continue to develop and grow things and provide good viable opportunities for players around the world.
- SG We have to ask about him being English, but I'm wondering how much of a role has David Beckham played in the recent development of Major League Soccer?
- R1 Huge! Everybody will tell you that, people didn't know much about Major League Soccer until he came over to this league, I mean there was a platform because of the success of the World Cup back in the 90s, but once you have brought somebody in like that, because of the novelty of the support and the sport and just not having soccer as a primary point of discussion for people day in to day out, like being around the water cooler and coming in on Monday morning and talking about the results from NFL football, you weren't doing that for soccer, but when people did think about soccer, there is big names that people can identify with, David Beckham, so once he came over here there was so many benefits that came along with it, he was instrumental and plus he was such a great ambassador to help grow the sport. I mean I have had the

privilege to meet him a couple of times, with him playing for the Galaxy and us being owned by the same group, any time he came into ----- you could count the game being sold out, it was tremendous. I remember the very first time I was with the club in 2012 and he came to play here, you know after the game he is coming out of the locker room, a kind of private backhouse area was packed with fans and he was gracious providing his time to sign autographs and take pictures, that's what it takes, you have to do those extra things and even though he is David Beckham and all the success he has had and notoriety around the world, I think he recognised the role he needed to play to help Major League Soccer be able to grow, to make it relevant. So he was instrumental.

SG It is interesting when you talk about multiple team ownership, in our soccer leagues people cant do that, they cant own more than one club as there is a fear that it is going to impact competitive balance.

R1 Sure.

SG One final question for both Matt and Luke, do you think Major League Soccer would benefit from perhaps taking on some of the elements from European or the English Premier League?

R1 Yes, specifically what those are I couldn't comment on those at this point, all I can say is it is no different than what we do just to try and break it down, if I was to sit there and look at the Texans, Rockets and Astros do in my backyard here, if there specific initiative, promotions or things that they do that are successful, I'm more than happy to steel those ideas, if they can help correlate over to me, my business and help us to be successful, again if there are things that EPL is doing or other leagues are doing that we can adopt or implement to help us in form of fashion or any level, absolutely, I don't think we have the attitude or mindset that we've got everything figured out or we do everything great, there's a lot of things we need to do to continue to improve and grow and if there's things, ideas that we could implement that other clubs from around the world are doing, we would be more than happy to do that.

- SG Well thank you very much for taking the time out this morning to talk to us, it is much appreciated.
- R1 Absolutely, and if there is anything after the call that we could maybe address, or additional information feel free to give me a call or shoot me an email, and I wish you guys the best on this project.
- SG Thank you so much for your time.

APPENDIX B

Interview Transcript

R2 – Respondent 2 (Major League Soccer)

LW – Luke Whitworth

LW I understand that this information may potentially be sensitive. Therefore, may I assure you that the contents of this discussion will be kept firmly confidential and the transcripts demolished post-analysis.

Coventry University has a strict code of ethics. All interviews that are conducted as part of this research project will comply with this code of ethics. If you would like to receive a copy of this code, I will arrange for one to be sent to you.

If you would like any additional information regarding this project, please do not hesitate to ask at the end of the interview. Similarly, if you have any concerns or questions during the interview, please do not hesitate to ask.

Once I have completed this stage of my research, if you wish I will provide you with a short summary of findings.

LW I am currently doing a Research Masters at Coventry University, and I am focusing upon the MLS for my dissertation project. My major focus is on the draft system and whether the MLS should consider changing this to a more European model of player trading in the future. I understand you will be extremely busy, but If you have any opinions or thoughts you could share with me, it would be much appreciated.

R2 Hi Luke, I think that the mix they have, between Draft and Academy Players, already satisfies some of the needs of the European model. The

Draft idea, especially when you have so many kids going to play in College, is still very special for all the American fans and also gives a chance to elaborate an event, which captures the media attention. Plus, giving the fact that all the contracts are made with the MLS, it also gives the League a chance to renew their players every year, calling some talent with low salaries to fulfill the rosters.

Having some American Soccer fans calling for the MLS to adapt to the European models of Promotion/Relegation, Academy-only youth teams, etc, it makes me think that if in Europe we won't adopt characteristics of the American model - much probably, owners would love to have a League like MLS, with no Promotion/relegation, and with the possibility to capture young talent via the draft, eliminating part of the importance of players agents in their youngest ages.

What do you think about it?

LW So you believe that actually Europe would prefer to adopt a similar model to that of America?

I spoke with an employee at -----, and I was surprised to hear that it is a rarity for a club to actually contract all the players they have drafted, he said the quality in college soccer isn't out there just yet. Which I suppose made me wonder as to why the draft was actually needed alongside academies where all the top talent will be picked up.

R2 Well, that happens with pretty much with drafts in all the other sports. Much of the players who are drafted never get to sign a contract or don't get the opportunity to resign one after the first. College Soccer does not have the level required to be a competitive league, but every year you see 4/5 players coming from the Draft to have impact in the teams. So I think that's worth having a Draft just to try to get those players. It's also true that teams with good Academies have better results in the League, as they are more stable and able to get new players who recognise their playing style. But that doesn't change the idea of the Draft for an opportunity. I

don't see a Draft model coming to Europe, but I sure do imagine a closed European League, with no Promotion/relegation status, in the future.

LW I really believe the MLS has the potential to flourish in the future. Do the club's academies sign players from college or an earlier age do you know? I'm also intrigued to get your thoughts on some of the other mechanisms like the salary cap. Do you think for the MLS to really be competitive in the industry, radical changes need to be made to the salary cap to not only attract the better quality players, but also keep the best homegrown in the league?

R2 Academies have players from very young ages. What happens sometimes, is a player who belongs to an Academy, will then go to College, and eventually come back to his team. If a player completes 3 years within the Academy, the team will have rights on him meaning he doesn't go to Draft. About the Salary Cap, I think that more money will mean a higher Salary Cap. As seen in the NBA and NFL, that gives stability to teams, owners and even players, as they are able to receive their money on time, always. The way the league will work on their Salary Cap limits will be very important to make MLS competitive, but you also can see how much players can have a bigger income by playing in the American market. This said, I see the MLS like an already well-placed league in the second line of world leagues. And for the moment, that might be the perfect spot to be.

LW Do you think the MLS has potential to become one of the top leagues in the future? And if so, what do they need to do in your opinion to achieve this?

R2 If you're thinking about reaching the level of La Liga, Premier League, Serie A or Bundesliga, I don't think so. There's so much tradition and power over other sports in Europe that I think those four are too far to be achievable.

As for Ligue 1, Eredivisie, Brasileirao, Portuguese League and Argentinian

League, they'll always have difficulties, because of the quality of the homegrown players, but here they already can compete economically. They are standing near those leagues and I think that the goal, for the next 20 years, is to solidify their presence in this group, becoming with France and Brasil the fifth world league. There, I think they can they can reach it.

LW Well thank you very much for taking the time out to talk to us, it is much appreciated.

R2 No problem.

LW Brilliant, thank you for your help.

APPENDIX C

The Bosman Ruling

Perhaps the most famous incident that has caused a major change in the way European football has been governed is the famous 'Bosman Ruling' case. Croci (2001) sets the scene by saying that in the summer of 1990, Jean-Marc Bosman, a Belgian footballer had come to the end of his contract with Belgian side RFC Liege, but was not willing to sign a new contract with the club as the offer was inferior to his recently expired agreement. Antonioni & Cubbin (2000) include in their paper '*The Bosman Ruling and The Emergence of A Single Market in Soccer Talent*', that Bosman had in fact been offered a contract that was worth only 25% of the value of his current agreement. In light of this sub-standard offer, Bosman exercised his rights to the Belgian Football Association to turn down this new contract offer. Antonioni & Cubbin (2000) continue to explain how Bosman took it upon himself to find a new employer, in which U.S. Dunkerque a French team, showed interest in his services. Both clubs failed to agree on compensation, meaning that Bosman was unemployed. Consequently, as mentioned by Simmon (1997:13) Bosman took his former club RFC Liege to court, "*citing restraint of trade*".

The judgement did not come for Jean-Marc Bosman until December 1995, Simmons (1997:13) highlights the European Court of Justice's (ECJ) ruling change "*whereby out-of-contract players could only move between two clubs in different EU countries if a transfer was agreed between the clubs with compensation paid to the selling club, was incompatible with article 48 of the Treaty of Rome which relates to freedom of movement of labour.*" This change regarding player contracts provoked panic within the football industry as to the value of their assets.

Croci (2001) states how in 1996 FIFA and UEFA came to a decision to counteract the issue of 'Bosmans', by informing the commission that transfer fees would no longer operate to player transfers at the end of their contracts. Feess & Muehlheusser (2002) concur the statement provided by Croci (2001), but

additionally offer an explanation of how before the judgement had been finalised, clubs were still required to pay a fee for a player's services, regardless if that contract had expired. Both academics feel it is imperative to include a further change to the European transfer system, which occurred in March 2001. Croci (2001) clarifies how the Commission informed both FIFA and UEFA in June 2000, that further modifications had to be made to the transfer fee system within a year, or risk it becoming illegal. The commission was concerned with the rulings surrounding valid contracts. *"According to a compromise between the Commission, FIFA and UEFA, reached in March 2001, a player can leave his current club without its approval on paying a fee for a breach of contract,"* (Feess & Muehlheusser, 2002:1). Feess & Muehlheusser (2002) explain that the previous rule allowed clubs to impede the transfer if it did not want to accept the fees offered by other clubs, however under this new regulation the figure of both fees for breach of contract will generally be considerably lower than the free negotiable transfer fee. One major question which many academics such as; Simmons (1997), Croci (2001) and Feess & Muehlheusser (2002) have researched is, 'what were the implications for domestic football clubs with the enforcement of the Bosman ruling?'

Croci (2001) believes that the Bosman ruling has led to a dramatic rise in the transfer fees of those players whom a fee could still be attached, as well as the substantial increase in star player's salaries. Croci (2001) also pays particular attention to the development of younger players, as previous hypotheses had suggested that the Bosman ruling could effect this process. Nevertheless, Croci (2001) deems that the ruling seems not to have indicated any negative impact of young player development. *"Traditionally, the development of young players was a kind of specialisation niche of smaller clubs that relied for their financial survival on the transfer fees of these players when they were sold to bigger clubs,"* (Croci, 2001:8). Simmons (1997) takes a slightly different view to the Bosman ruling implications, whereby the academic believes that five particular topics have arisen since the adoption of the Bosman rule. These five key topics identified by Simmons (1997:15-18) are as follows; *"the collapse of transfer markets, loss of*

transfer income to smaller clubs, increased, and more unequal player salaries, reduction of transfer fees, and finally longer contracts."

There are a number of implications that have arisen from the Bosman ruling, but perhaps the most high profile repercussion is the decision whether to sell or hold onto a player. *"Since the Bosman ruling approximately 90 percent of all transfers involving English F.A. Premier clubs have involved in-contract players, and therefore the payment of a transfer fee,"* (Antonioni & Cubbin, 2000:18). Football clubs cannot afford to let their player's contracts expire, as the financial implications are vast, therefore the majority of clubs will sell that player either a year or six months before that contracts expires just to ensure they can raise some capital on their asset, rather than being left empty handed.